A/62/13

United Nations

Report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

1 January-31 December 2006

General Assembly
Official Records
Sixty-second Session
Supplement No. 13 (A/62/13)

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United Nations • New York, 2007

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ISSN 0882-8386

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Letter of transmittal

1 August 2007

I have the honour to submit to the General Assembly my annual report on the work of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). This report, which covers the period 1 January 2006 to 31 December 2006, is submitted in compliance with paragraph 21 of resolution 302 (IV) of 8 December 1949 and with paragraph 8 of resolution 1315 (XIII) of 12 December 1958.

The first section of the report presents significant developments within UNRWA and external circumstances that have affected the Agency. It summarizes the most notable political and security influences on UNRWA operations in Jordan, the Syrian Arab Republic, Lebanon, the West Bank and Gaza, and describes the Agency's operational context. The report further outlines the legal matters that have engaged the Agency's attention and sets out its financial condition. The second part of the report is devoted to a performance review of UNRWA education, health, relief and microfinance programmes. An analysis of outcomes is offered for each of these programmes, along with indicators and a summary of significant activities.

As in previous years, a draft version of the annual report was shared with members of the UNRWA Advisory Commission, which comprises representatives of 21 Member States and three observer delegations, including those of Palestine and the European Commission. The contents of the report were discussed and endorsed during the session of the Advisory Commission held on 17 and 18 June 2007. The views of the Advisory Commission are contained in a letter addressed to me from its Chairperson. A copy of the letter follows. I wish to underline my appreciation for the high level of interest and engagement demonstrated by the Advisory Commission during the discussion of the report and in its deliberations to date on a range of operational issues. As part of wider management reforms within UNRWA, the Commission membership was expanded and its rules of procedure revised in 2005 and early 2006, in an effort to enhance its role as the Agency's principal advisory body. The quality of the discussion on the draft annual report was a clear and encouraging indication — though not the only one — that the Advisory Commission is meeting the high expectations placed upon it. I have also maintained the practice of sharing the annual report in draft form with representatives of the Government of Israel. As a result of this process of wide consultations, this annual report reflects, to a large extent, the varied perspectives of its principal stakeholders.

President of the General Assembly
United Nations
New York

This transmittal letter offers an opportunity to draw to your attention a few of the most critical questions that confront UNRWA. These matters directly impinge on the well-being of Palestine refugees and the Agency's ability to efficiently and effectively discharge its humanitarian and human development functions. They are also issues that, if not addressed with the immediacy they deserve, could have regional and international implications and therefore fall well within the purview of the role of the General Assembly. You may wish to keep these issues in view as you debate the renewal of the mandate of UNRWA later this year.

An important question requiring the concerted attention of the General Assembly is the recurrent underfunding of the Agency's regular budget. The funding deficit in 2006 was US$ 71.5 million, while the projected shortfall for 2007 is expected to exceed US$ 100 million. UNRWA is experiencing a severe lack of funds at a time when resources are desperately needed to raise the quality of services the Agency delivers to a refugee population that year on year increases in numbers and in the range of their needs. We have been compelled to introduce austerity measures that include the scaling down of services in health, education and assistance to the poor, in a period when there is escalating demand for these services.

Given that it is difficult for changes to take root in an environment of austerity, UNRWA's organizational development process of comprehensive management reforms is also hampered by the shortage of funds in the regular budget. For the sake of the refugees the Agency serves, it is giving the highest priority to raising its service standards and to transforming and modernizing its operational and managerial practices. The current situation is one in which States have welcomed the Agency's desire to improve and encouraged it to move forward without providing it with the wherewithal to accomplish its ambitions. I trust that at this time the General Assembly and all United Nations Member States will act collectively in a spirit of solidarity to ensure that the budgetary requirements of the Agency are adequately supported, in order that the needs of Palestine refugees can be fully met.

Another area demanding the attention of the General Assembly is the human toll of instability, armed conflict and the closure regime in the occupied Palestinian territory. The annual report refers to the extreme levels of poverty, unemployment and deteriorating living conditions that refugees and non-refugees alike had to contend with in 2006. It also records the tragic number of deaths and injuries sustained in the conflict. Some 673 Palestinians were killed and 3,199 injured. In Gaza, 203 deaths and 1,000 injuries occurred in June and July alone — not to mention the 5,000 people displaced. During 2006, 25 Israelis were killed and one was captured.

In the West Bank, the wall, which has been declared illegal by the International Court of Justice, and its associated regime of permits and closures have destroyed Palestinian livelihoods. Freedom of movement for Palestinians has been severely curtailed, as illegal Israeli settlements continue to expand and encroach on Palestinian land. Palestine refugees, who make up approximately 30 per cent of the total population of the West Bank, have been negatively affected to the same extent as their non-refugee neighbours, especially in the so-called seam zone between the wall and the 1967 Green Line.

The degree of human suffering and the extent to which civilians' lives and safety are at risk in the occupied Palestinian territory raises questions that engage

the collective responsibilities of States under human rights law and international humanitarian law. Expedited, creative and forthright measures are required on the political front to achieve a cessation of hostilities among all combatants as a first step towards creating an environment of stability in which human dignity might have some meaning. It is only in such an environment that the humanitarian and human development work of UNRWA can achieve its full impact.

Given the nature of our operations, the safety and security of UNRWA staff is a major preoccupation. I have on many occasions acknowledged the debt we owe to UNRWA staff for demonstrating their devotion to duty in circumstances of grave risk. In this context, it is a matter of regret that the 14,500 local staff of UNRWA in the occupied Palestinian territory are the only United Nations staff members who do not receive hazard pay. This is a long-standing anomaly that the General Assembly and its Member States may wish to take steps to address.

In conclusion, I wish to place on record UNRWA's gratitude for the support the international community has given to Palestine refugees over the decades. Next year we will commemorate the sixtieth anniversary of the events that precipitated the creation of the Palestine refugee phenomenon. So many years on, the plight of these refugees is yet to be resolved, and their lives remain marked by hardship, armed conflict and pessimism about future prospects. I call on the General Assembly to treat the forthcoming anniversary as a spur to action, an opportunity to redouble endeavours to secure a just and lasting solution to the plight of Palestine refugees.

(*Signed*) Karen **Koning AbuZayd**
Commissioner-General
United Nations Relief and Works Agency for
Palestine Refugees in the Near East

Letter dated 17 June 2007 from the Chairperson of the Advisory Commission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East addressed to the Commissioner-General of the Agency

At its regular session of 17 June 2007, the Advisory Commission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) considered your draft annual report on the Agency's activities and operations during the period from 1 January 2006 to 31 December 2006, which is to be submitted to the General Assembly at its sixty-second session. The Commission reiterates its appreciation for the adoption of the calendar-year format of the reports to the General Assembly, as this links UNRWA strategic and financial planning with its budget planning process. Transition to this format led to an overlap with regard to the first half of 2006, hence the current letter will focus predominantly on the second half of 2006.

The Commission welcomes the improved structure and comprehensiveness of the UNRWA annual report. The reporting is firmly based on programmes in the subprogramme overview (section II of the report), the progress of which is measured against performance indicators. The Commission encourages UNRWA to pursue further improvements to the annual report once the organizational development package and strategy development gain momentum. In this connection, the Commission particularly looks forward to a permanent monitoring and evaluation section. The Commission encourages UNRWA to provide in an annex to the present report key programme statistics and financial information that will give an overview of the Agency's operational and programme components.

The Commission is concerned with the continuously deteriorating and fragile situations in the Gaza Strip, the West Bank and Lebanon, which impact the humanitarian situation, as well as the delivery of humanitarian aid. In general, the Commission raises concerns of serious violations of international humanitarian and human rights law and strongly condemns the killing of UNRWA staff members. The Agency was compelled to expand its emergency operations in the Gaza Strip, as well as in Lebanon, where Israeli military operations in the summer of 2006 had severe consequences on the situation of Palestine refugees and Lebanese civilians, many of whom were displaced. The Commission commends the Agency for its efforts in addressing the urgent needs of Palestine refugees and some 5,500 displaced Lebanese civilians who sought the assistance of the Agency. Also, in the Syrian Arab Republic UNRWA was able to provide shelter to some 2,000 refugees from Lebanon. The Commission commends the Agency's management and, in particular, its area staff for their resolute and effective response to the deteriorating emergency situation in the West Bank, the Gaza Strip and Lebanon. The dedication, commitment and unrelenting engagement of the Agency staff members, often under life-threatening conditions, have contributed to the relief of grave humanitarian needs and the continuation of regular programme operations.

The economic and security situation continued to decline in the Gaza Strip and the West Bank, as Israeli incursions, the closure regime and the withholding of tax revenues led to increased poverty. Without substantial and increased donor support, the situation would have been much worse. Moreover, the suspension of direct aid to the Palestinian Authority after Hamas formed a new government in March 2006

and factional clashes in the Gaza Strip were increasingly taking their toll towards the end of the year. These internal clashes and attacks on UNRWA installations and personnel had negative consequences for the presence of international staff of UNRWA and other agencies in the Gaza Strip. With the Palestinian Authority's shortage of funds, the provision of services was grinding to a halt. As a result, the Palestinian economy shrank by some 7 per cent and unemployment levels shot up by 30 per cent. These developments make the role of UNRWA in providing essential services and humanitarian assistance to the Palestine refugees even more important and call for a vital role for donors in support of UNRWA appeals.

The situation in southern Lebanon remained precarious, as it was plagued by unexploded cluster bombs and damaged infrastructure. The Commission commends the Lebanese Government and UNRWA on their dynamic steps to secure additional funds for basic living conditions in the camps and addressing developmental needs of Palestine refugees. The Commission encourages the Government of Lebanon and UNRWA to proceed with their close cooperation, as seen during the preparation and implementation of the early recovery plan concerning Palestine refugees.

The Commission commends the Government of the Syrian Arab Republic and UNRWA on the assistance provided in 2006 to over 600 Palestine refugees who fled the conflict in Iraq. The Commission encourages the international community to continue seeking means to address humanitarian needs for this specific group of Palestine refugees, until such time that a just and durable solution can be found.

The Commission is concerned that the separation wall/fence, closure regime, curfews and other restrictions, imposed by the Israeli authorities in both the West Bank and the Gaza Strip, will lead to further hardship for the Palestinian population. These restrictions obstruct access to employment, income, essential goods and services. They have, moreover, seriously restricted the ability of the Agency to move staff and humanitarian assistance to those in immediate need. The Commission, therefore, reiterates the urgent need to remove restrictions impeding the movement of Agency staff and goods, according to international law, the November 2005 Agreement on Movement and Access and the agreements between UNRWA and the Government of Israel. The Commission encourages UNRWA to continue providing detailed information on outstanding movement and access restrictions to the Office for the Coordination of Humanitarian Affairs and the international community to enable them to keep the issue on the agenda of any bilateral or multilateral discussion with the Israeli Government.

The Commission expresses its concerns regarding the fact that some UNRWA staff is being detained by Israel, while UNRWA facilities have regularly been subject to forced entry and obstructions by the Israeli military. The Commission reaffirms the need to respect the integrity of the United Nations and the immunities of its staff operating in areas of conflict, as stated in Security Council resolution 1502 (2003) of 26 August 2003, on the protection of United Nations personnel, associated personnel and humanitarian personnel in conflict zones. The Commission, furthermore, urges UNRWA to continue to closely monitor and report to its stakeholders on violations of international humanitarian law.

The Commission is concerned about costs emanating from the various restrictions imposed by Israel, such as $349,019 accumulated costs directly linked to the movement of UNRWA employees. The Commission opposes Israel's continued efforts to impose a direct tax charge on Agency containers passing through Karni,

amounting to $108,486, as this violates the exemption granted to UNRWA under the 1946 Convention on the Privileges and Immunities of the United Nations. The Commission notes the Agency's demands for compensation for damaged UNRWA installations from the Israeli Authorities ($1,048,000), as well as their reimbursement of all outstanding port charges ($27,756,193) and to be henceforth exempted from such charges, in accordance with the 1967 Comay-Michelmore Agreement between Israel and UNRWA. The Commission once more calls upon the General Assembly to examine this issue at its sixty-second session and to consider, in its resolution dealing with UNRWA operations, including a clause calling for the reimbursement of these charges by the Israeli authorities.

The Commission welcomes the organizational development that is being implemented in UNRWA. Tools to assess and monitor this reform process are currently in place. This reform is designed to strengthen the Agency's capacity to serve Palestine refugees both effectively and efficiently. Although in its initial stages of implementation, the Commission notes the progress made through 2006 with regard to the four "levers of change": human resource development, programme management, leadership and management, and organizational processes. The Commission commends in this connection the progress made with regard to the Agency-wide quality assurance initiative to improve service delivery. This initiative has been particularly successful in Gaza.

With regard to the programme management lever, the Commission applauds UNRWA's determination to develop a strategic approach to programming. While the Agency is looking at ways of improving the quality of its services and the effectiveness of its operations, it will achieve efficiency gains through its different programmatic reviews and through the organizational development process. The process of organizational development should focus not only on additional activities, but also on better and more efficient ways of providing current services and of utilizing available funds and resources. Programmatic and operational reviews should inform UNRWA whether more of the same could be done with available resources and how. As such, efficiency gains should translate into direct benefit for the Palestine refugees (see adopted comments on the UNRWA discussion paper entitled "Towards the 2008-2009 UNRWA programme budget", No. 3.3, December 2006 Advisory Commission session).

The Commission discussed the organizational development package during its regular sessions in 2006, and is confident that this endeavour will yield a comprehensive and strategic approach. Such an approach is indispensable if the Agency is to respond adequately to evidenced and prioritized needs of refugees in the five fields of operations. In this connection, the Commission calls upon donors to contribute, in a timely manner, adequate resources to support the organizational development package. The initial implementation of UNRWA reforms requires the hiring of 20 additional international staff. The Agency included a request to this effect in its submission for the 2008-2009 regular budget of the United Nations (from where all the Agency's international staffing posts are funded). The Advisory Commission endorsed these staffing proposals in a letter dated 29 January 2007 from the its Chairperson to the President of the General Assembly.

The Commission notes that the UNRWA regular budget grew by 23 per cent, from US$ 396.4 million in 2005 to US$ 488.6 million in 2006, while expenditures increased by 10.6 per cent from US$ 377.2 million to US$ 417.1 million in 2006.

The regular budget is the source of funding for the Agency's core programmes. In this regard, the Commission appeals to the donor community to fully fund these essential services. It also notes that the Agency launched an emergency appeal for the West Bank and the Gaza Strip. As at 31 December 2006, $145 million, or 84 per cent of the appeal, had been pledged. The Commission notes that contributions to the UNRWA emergency appeal in 2006 improved considerably. In the light of the continuously deteriorating humanitarian situation in the West Bank and the Gaza Strip, the Commission appeals to the donor community to fully support UNRWA emergency programmes, while UNRWA is urged to develop a comprehensive resource mobilization strategy for both its regular and emergency activities. In this regard, the Commission would like to stress the importance of coordination initiatives between UNRWA, donors and host countries, to strive for a maximum degree of aid harmonization to increase aid effectiveness, and to follow the principles of good humanitarian donorship. The Commission encourages UNRWA, without compromising its mandate and continuous provision of basic services to Palestine refugees, to investigate and continue to develop ways of maintaining and improving the quality of services that contribute to a more effective and efficient use of the regular budget in close cooperation with stakeholders.

The Commission greatly appreciates the host Governments and donors for their continuing support and services provided to Palestine refugees. However, the Commission also urges the international community to maintain adequate levels of funding consistent with the needs of refugees, and calls on UNRWA to continue its efforts to reach out to non-traditional donors. In this respect, the Commission commends UNRWA with the appointed Senior Regional Representative and encourages the Agency to implement the funding strategy, as discussed during the regular session of the Commission in June 2007. In due course, the proposed funding strategy should play a key role in developing vital predictable sources of support for programme improvements.

The Commission recognizes progress made by UNRWA in achieving a substantial number of its objectives and encourages UNRWA to make additional efforts to address issues where the actual performance is below targets. The organizational development reform process, which began in 2006, is expected to influence the effectiveness, efficiency and impact of the various programmes in 2007. Organizational development initiatives, including the programme strategy, will be reflected and integrated into the budget preparation process, leading to a more detailed and prioritized biennium budget for 2008-2009.

The Commission recognizes the vital role of the Agency in providing refugees with essential services and in contributing to regional stability until a just settlement to the refugee issue is implemented in accordance with the relevant United Nations resolutions, especially General Assembly resolution 194 (III) of 11 December 1948.

The Commission expresses its warm appreciation for your personal commitment to serving the needs and interests of Palestine refugees and the effective leadership you are providing to the Agency.

Frans **Makken**
Chairperson of the Advisory Commission
of the United Nations Relief and Works Agency
for Palestine Refugees in the Near East

I. Overview

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established pursuant to General Assembly resolution 302 (IV) of 8 December 1949. UNRWA became operational on 1 May 1950, responding to the needs of some 750,000 Palestine refugees. The Agency has since grown to become one of the largest United Nations programmes, with a population of about 4.3 million Palestine refugees under its mandate and nearly 27,000 staff members.

2. The purpose of UNRWA is to contribute to the human development of Palestine refugees in the Gaza Strip, the West Bank, Jordan, Lebanon and the Syrian Arab Republic until a just solution is found to the refugee issue. The Agency fulfils this purpose by providing a variety of essential services within the framework of international standards. They include primary (and in Lebanon secondary) education, comprehensive primary health care, emergency relief, a social safety net and other social interventions, microfinance, housing and infrastructural support. Among United Nations agencies, it is unique in delivering a variety of services directly to refugees.

3. Given the particularly complex and volatile context in which it works, UNRWA has developed the ability to respond rapidly to changing needs and continues to strive to become more strategic and dynamic in its operations and delivery of services. It seeks to establish an approach to service delivery that is cohesive and sensitive to refugee needs, while building on refugee assets and on partnerships with other organizations.

4. UNRWA is a global advocate for the protection and care of Palestine refugees. In circumstances of humanitarian crisis and armed conflict, the Agency's emergency interventions, and indeed its presence, serve as tangible symbols of the international community's concern and ultimately contributes to a stable environment.

5. Through its education programme, UNRWA promotes for Palestine refugees a learning environment in which they acquire knowledge, life skills, positive experience and values. The Agency provides education at the elementary, preparatory and (in Lebanon) secondary level, technical and vocational education and training, teacher training and placement and career guidance.

6. Through its health programme, UNRWA protects and promotes the health status of Palestine refugees by providing access to comprehensive, quality basic health care, consistent with the policies and strategies of the World Health Organization (WHO). The Agency's health services include medical care (laboratory services, outpatient services, maternal and child health, disease prevention and control, physical rehabilitation, oral health, school health and hospital services), environmental health (sewage and drainage, solid waste management and water supply) and supplementary feeding.

7. Through its relief and social services programme, UNRWA provides a social safety net for, and promotes the self-reliance of, the most disadvantaged Palestine refugees, especially women, the aged, youth and persons with disabilities. Its relief and social services include food support; shelter rehabilitation and cash assistance to families living in conditions of special hardship; the development of community-

based social services for women, the disabled, children and youth; and community support through access to subsidized credit.

8. Through its microfinance and microenterprise programme, UNRWA promotes economic development and poverty alleviation by providing credit for microenterprise, household consumption and housing needs. This credit improves the quality of life of householders, small business owners and microentrepreneurs; sustains jobs; decreases unemployment; reduces poverty; empowers women; and provides income-generating opportunities for Palestine refugees and other poor and marginal groups. Specific services include microenterprise credit, a lending programme specifically designed for women, small-scale enterprise loans, consumer lending, housing loans and small and microenterprise training.

A. Political, economic and security developments

9. The most prominent developments in 2006 occurred in the occupied Palestinian territory and Lebanon. In the former, the year began with the Palestinian Legislative Council elections, which were won by Hamas, with 74 of 132 seats. President Mahmoud Abbas asked Hamas to form a Government in February and Israel immediately halted tax revenue transfers. In April, international donor funding to the Palestinian Authority was suspended.

10. The firing of Qassam rockets from the Gaza Strip into Israel continued throughout the reporting period and, in April, a suicide bomber killed nine people in Tel Aviv. In military actions in the Gaza Strip, the Israeli military killed 69 Palestinians between January and May. In June the situation worsened dramatically. On 9 June, an artillery strike killed seven members of one family on a beach in northern Gaza. Hamas announced the suspension of its 16-month ceasefire. On 25 June, a Palestinian attack against an Israeli position in Israel resulted in the killing of two Israeli soldiers and the capture of another. In response, Israel began "Operation Summer Rains". In June and July alone, 203 Palestinians were killed and almost 1,000 were injured. Early in November, during a six-day siege of the northern Gaza town of Beit Hanoun, 50 Palestinians were killed and dozens of refugee homes were destroyed. The dead included 16 members of the same family, whose house was hit by tank shells. By the time a ceasefire was announced late in November between Israel and the Palestinian factions, over 450 Palestinians had been killed in Israeli military actions in the Gaza Strip. UNRWA responded to the emergency situation by providing shelter and other assistance for over 5,000 displaced people and by delivering water and food to areas isolated by military incursions.

11. The occupied Palestinian territory also saw bouts of inter-factional fighting. In May 2006, 10 people were killed in inter-Palestinian clashes in the run-up to the beginning of a dialogue on the formation of a national unity Government late in the month. In December, 18 Palestinians were killed in factional clashes and 116 wounded, almost all in the Gaza Strip.

12. During 2006, armed conflict, closures and the withholding of tax revenues and international donations to the Palestinian Authority took an enormous toll on economic and social conditions for Palestinians in the occupied Palestinian territory. Real gross domestic product per capita declined by almost 7 per cent during the

year[1] and poverty levels increased by 30 per cent by mid-year.[2] The situation in Gaza was particularly grim. In a study commissioned by UNRWA, the Palestinian Central Bureau of Statistics estimated that 79.8 per cent of the inhabitants were living in extreme income poverty by mid-2006, an increase of 54 per cent over mid-2005.[3]

13. Public institutions built up by the international community over a decade and a half have been severely weakened by a lack of operational funds, energy shortages and military damage to civilian infrastructure. Despite the creation of the Temporary International Mechanism, under which donors pay "allowances" in lieu of salaries to essential Palestinian Authority employees directly, the vast majority of the 165,000 employees have received only small sums, intermittently. To avoid destitution, refugee families who were self-sufficient at the start of the year were forced to turn to UNRWA for emergency assistance in the form of food aid, cash assistance and three-month job placements. Lack of funds led to Palestinian Authority hospitals and clinics reporting shortages in essential drugs and diagnostic tools, while refuse went uncollected in the streets, raising concerns for public health.

14. On 28 June, an air strike destroyed the only power plant in the Gaza Strip, which provided almost half of the Strip's electricity and drove municipal water and sewage pumps. For the remainder of the year, most Gaza residents received only six to eight hours of electricity and two to three hours of water a day.

15. The killing of three Israeli soldiers and capture of two others, by Hizbullah, in a cross-border attack into Israel, sparked a major conflict that began on 12 July and lasted 34 days. Southern Lebanon bore the brunt of severe damage to civilian infrastructure. Almost 1,200 Lebanese were killed and close to 1 million displaced by the fighting, while 159 Israelis were killed and up to 500,000 Israelis displaced. Although the Palestinian refugee camps were not directly targeted, with only isolated attacks on Ein el-Hilweh and Rashidieh camps, the Palestinian community was substantially affected by the conflict. Approximately 47 per cent of Palestine refugees live outside the camps, side by side with the Lebanese community in urban and rural areas, and thus suffered the destructive effects of the conflict in the same manner as the Lebanese.

16. UNRWA responded immediately to the crisis, maintaining essential services, while also commencing an emergency assistance programme to the Palestine refugee population and to about 5,500 displaced Lebanese. In total, UNRWA accommodated 4,127 displaced persons in its schools and a further 14,745 persons were accommodated by Palestinian families in the camps. UNRWA included its emergency needs in the United Nations Consolidated Appeal launched late in July 2006 and received $5.59 million in funding from donors.

17. In the Syrian Arab Republic, eight UNRWA schools housed more than 2,000 refugees who had fled the fighting in Lebanon. Later in the year, UNRWA also began to provide, in collaboration with the United Nations High Commissioner for Refugees, limited assistance to over 600 Palestine refugees who had fled the conflict in Iraq to the El-Hol refugee camp in the north of the Syrian Arab Republic or to the

[1] Palestinian Central Bureau of Statistics, Economic Forecasts for 2007, 26 March 2007.

[2] Palestinian Central Bureau of Statistics, Ramallah, July 2006.

[3] UNRWA report, "Prolonged crisis in the occupied Palestinian territory: recent socio-economic impacts", November 2006.

"no-man's land" between the Syrian and Iraqi borders. The assistance provided included basic health, education and relief and social services.

18. Instability, marked by strikes and large demonstrations, continued in Lebanon following the end of the fighting. In Lebanon, a large number of unexploded cluster bombs continued to be the cause of death and injury of civilians. According to the periodic report of June 2007 of the Secretary-General to the Security Council on the implementation of resolution 1701 (2006) (S/2007/392), 904 individual cluster bomblet strike locations had been identified, each containing hundreds of individual bomblets or submunitions, contaminating 36.6 million square metres of land. Since the cessation of hostilities in August 2006, 23 civilians have been killed and 180 injured, among them Palestine refugees. The unexploded ordnance have had a serious impact on agriculture in southern Lebanon, affecting those refugees who rely on agriculture for their living.

19. UNRWA participated in an early recovery appeal for Lebanon in the aftermath of the conflict and received a total sum of $4.9 million to be spent on emergency needs, water and sanitation works, immediate shelter repair, psychosocial support, new school infrastructure in the schools and the establishment of a programme to reactivate businesses. That sum was in addition to the funds raised under the United Nations Consolidated Appeal (see para. 13 above).

20. In October 2005, UNRWA prepared a camp improvement initiative comprising $50 million worth of projects designed to address the particularly squalid conditions in refugee camps in Lebanon.

21. Thanks in great part to the active lobbying of the Government of Lebanon, which supported the initiative from the outset, the Agency had received $21 million by the end of 2006, allowing it to commence work on a number of projects. The largest of them was an infrastructure project that will substantially improve environmental conditions in and around Shatila Camp in Beirut.

B. Organizational developments

22. The Agency's expanded Advisory Commission held its first meeting in February 2006. The Commission, established under the same General Assembly resolution as UNRWA itself, advises the Commissioner-General on the execution of the Agency's programme. On 9 November 2005, the General Assembly approved an increase in the membership of the Commission to include Australia, Canada, Denmark, Germany, Italy, the Netherlands, Norway, Saudi Arabia, Spain, Sweden and Switzerland, all of whose contributions to the Agency have exceeded an annual average of $5 million over the past three years. The Assembly also invited the Palestine Liberation Organization to attend and fully participate in the meetings as an observer, and invited the European Community and the League of Arab States to attend as observers. More substantive interaction between the Agency and the Commission has allowed for significant policy discussions resulting in valuable advice and support to the Agency. That support has been a crucial part of the UNRWA organizational development process launched in 2005.

23. The Agency's reform process, outlined in the document "Serving Palestine refugees more effectively: strengthening the management capacity of UNRWA", requires an investment of $30 million over the years 2006 to 2009, of which over

$2.1 million had been contributed at the end of the reporting period. The process is based on four "levers" of change: human resources management; programme management, including the establishment of a programme management cycle; leadership and management; and organizational processes. It is through comprehensive reform in these areas that the Agency as a whole will become more effective in serving Palestine refugees.

24. In 2006, important initial steps were taken in each of the four levers, thus laying the foundation for achieving the goals of the organizational development process. In the area of human resources, a comprehensive management strategy was finalized through a process of extensive internal consultations. The areas identified for strategic attention were staff retention, recruitment, succession, training and development; performance management; compensation management; service delivery in the field; gender equality; and line management. Each of them is supported by a variety of initiatives. In 2006, the UNRWA Department of Human Resources was divested of responsibility for administrative services, thus allowing it to concentrate exclusively on transforming human resources management across the Agency.

25. As regards the programme management lever, the Office of the Director of Operational Support was established at the headquarters in Amman to lead a strategic approach to programming; to promote cohesive programme effectiveness; to support adherence to international standards in all sectors; to serve as a centre for programme, policy and situational analysis; and to ensure that common themes (such as protection, gender and a needs-based approach) are integrated across programmes. The Office absorbed the erstwhile Policy Analysis Unit and initiated work on establishing a programme management cycle as a useful framework for the Agency's service delivery.

26. In the area of leadership and management, a senior regional representative based in the headquarters in Amman was recruited to strengthen the Agency's ties with the Governments of the Gulf and other Arab States and to broaden its donor base in the region. Following a recommendation from a 2005 review, the Agency also augmented its emergency management capacity by recruiting a headquarters-based emergency programme officer. The capacity of the Executive Office was boosted with the addition of one Professional position and initial steps were taken to fill the position of Agency Spokesperson to further strengthen executive and communication functions and boost stakeholder support. As regards the organizational processes lever, preparations were completed for a comprehensive information and communications technology review to be conducted with the assistance of experts from the United Nations Secretariat. Besides improving information and communications technology management and service delivery, the review will prepare the ground for establishing an enterprise and resource planning framework for UNRWA.

27. In the latter half of 2006, a number of programme and field initiatives were undertaken to address shortcomings in service delivery, not least in the education sector. The education programme launched an Agency-wide quality assurance initiative to raise standards in all aspects of education, including in the management of schools and in academic achievement. In Gaza, the "Schools of Excellence" initiative was launched to clarify and tackle declining academic standards in UNRWA schools. From an informal survey of the views of some 2,000 teachers,

parents and students, it was found that the skills of a considerable number of students in Arabic and basic mathematics were well below standards. While there can be no doubt that educational achievement is affected by the very different circumstances under which schools have operated in Gaza, the observations of teaching staff have been understood to strongly underline the need to arrest and reverse declining standards. This is a challenge that the Agency is committed to addressing, including through the organizational development process.

C. Operational context

1. Emergency operations

28. Since 2000, UNRWA has administered an extensive programme of emergency assistance for refugees affected by armed conflict, closures and the deteriorating economic situation in the occupied Palestinian territory. In 2006, living conditions in the occupied Palestinian territory deteriorated dramatically for the reasons outlined in paragraph 12.

29. Demands on UNRWA emergency programmes consequently increased, prompting the Agency to revise its emergency appeal from $95 million to $171 million, enabling it to significantly expand its emergency assistance in the occupied Palestinian territory. A revised emergency appeal was launched in May 2006 as part of a revised consolidated appeals process for the occupied Palestinian territory.

30. By the end of 2006, the Agency had received $145 million, or approximately 84 per cent of the emergency funding requested. The funds supported the provision of emergency food aid to 240,000 refugee families, or around 70 per cent of the registered refugee population, and the creation of over 3 million work-days for 50,000 unemployed refugees. The inability of the Palestinian Authority to pay public sector salaries had compelled UNRWA to extend its emergency relief programmes to refugee families whose main breadwinner was employed by the Palestinian Authority, adding 100,000 people to the rolls of its food distribution system. Emergency operations also included cash assistance to impoverished families, the reconstruction of destroyed shelters, the provision of health care through mobile clinics to families facing access problems in the West Bank and a programme of in-kind support to municipalities in Gaza, to ensure maintenance of vital public facilities, including those for water purification, waste water and sewage.

31. The Agency's emergency programme in the Gaza Strip also provided shelter, food and water to refugees affected by the main Israeli incursions into the Gaza Strip during 2006. At one point, over 5,000 refugees were sheltering in UNRWA schools because of the fighting in their villages and camps.

2. Refugee access

32. Citing security concerns, Israel continued to severely restrict the freedom of movement of Palestinians during 2006. The Erez crossing between the Gaza Strip and Israel was closed completely to all Palestinian labourers and traders on 12 March and was not reopened to them again during the year. The Rafah crossing

between Gaza and Egypt was open for the first half of 2006 and then closed on 25 June, opening again for only 31 days (out of 189) during the rest of the year.

33. Access within the Gaza Strip was restricted by Israeli military operations during the year, particularly during incursions into the northern part of the Strip. According to the Office for the Coordination of Humanitarian Affairs, in the West Bank there was an 11 per cent increase (from 475 to 527) in the number of physical barriers in place on the routes used by Palestinians. The barriers effectively trisect the West Bank, with each section subdivided into smaller enclaves. Movement between the three main areas and the various enclaves is controlled by an increasingly restrictive permit system.

34. The West Bank barrier continues to restrict the movement of Palestinians living on either side of it. It is forecast that, if the barrier is completed as planned, 60,500 Palestinians living in 42 villages and towns will reside in "closed areas" and, if present policies are continued, they will require permits for access to their places of residence. More than 500,000 Palestinians, who live within a 1-km strip east of the barrier, will need to cross the barrier to get to their farms and jobs and to maintain family contacts. Refugees make up some 30 per cent of those affected by the barrier.

3. Staff security

35. The bombing of the United Nations Reporting and Evacuation Centre in Gaza City by Palestinians on 1 January 2006 led to the temporary withdrawal of almost all international staff from the Gaza field office because of security concerns. Most of the Agency's international staff from its Gaza headquarters remained in Jerusalem and Amman because of security and access difficulties in Gaza. In the latter part of 2006, factional fighting for the first time became a serious threat to staff security.

36. During the conflict in Lebanon, non-essential staff and dependants of international staff were relocated as the country moved to United Nations security phases III and IV in different locations. The Agency's remaining international staff, along with staff of other United Nations agencies, were sequestered in hotels for the duration of the war.

37. During the conflict, most local staff remained at their posts in order to provide services to the refugee community, often taking great risks to travel to their places of work during the weeks of aerial bombardment. One staff member, Abdul-Rahman Sagher, 48, a sanitation labourer in Ein el-Hilweh Camp, was killed during an Israeli air raid shortly after beginning his shift on the last day of the conflict.

38. The Agency is indebted to its staff and acknowledges their dedication and loyalty in such difficult and often dangerous circumstances. It notes with regret that the 14,500 local staff of UNRWA in the occupied Palestinian territory are the only United Nations staff members working in the area who do not receive hazard pay. The Agency continues to discuss this anomaly with United Nations Headquarters, but had not resolved the matter by the end of the reporting period.

D. Legal matters

1. Agency staff

39. The Israeli authorities, citing security concerns, continue to restrict the freedom of movement of UNRWA personnel in the occupied Palestinian territory. The restrictions include the external and internal closure of the West Bank and the Gaza Strip; prohibiting local staff in United Nations vehicles from using the Erez crossing between Israel and the Gaza Strip or the Allenby Bridge, or from travelling in Israel and parts of the occupied Palestinian territory annexed by Israel; and the imposition of cumbersome procedures for obtaining permits for local staff to allow them to enter Israel and East Jerusalem.

40. The Israeli authorities imposed other movement restrictions on UNRWA personnel. Since April 2006, despite protracted negotiations, almost all international United Nations staff holding Israeli service visas have been barred from crossing in United Nations vehicles into Israel unless either accompanied by a diplomatic visa holder or prepared to submit to a vehicle search that would violate the immunity of the United Nations. Procedures at the Erez crossing often resulted in lengthy delays on the Gaza Strip side of the crossing and in the unprotected area of the Palestinian checkpoint, endangering staff members' safety. Local staff were often barred from using the crossing altogether.

41. The restrictions are inconsistent with the Charter of the United Nations, the 1946 Convention on the Privileges and Immunities of the United Nations and the 1967 Comay-Michelmore Agreement, by which the Government of Israel is obligated to "facilitate the task of UNRWA to the best of its ability, subject only to regulations or arrangements which may be necessitated by considerations of military security".

42. In the Agency's view, most measures did not relate to military security, but were rather matters of police or administrative convenience. The Israeli authorities, however, maintained that the restrictions were necessary to protect Israel against terrorist threats.

43. In the West Bank, there was enhanced coordination through Israeli military liaison officers, but, overall, staff movement became more restricted and unpredictable as the number of Israeli checkpoints, road closures and other physical obstacles increased over the reporting period.

44. In the Gaza Strip, the movement of staff members was affected by the rise in inter-Palestinian violence. During Israeli incursions in the second half of 2006, following the capture of Israeli corporal Gilad Shalit, access to affected areas was restricted and sometimes inadequate.

45. Movement of local staff members through Rafah was relatively free until the Palestinian attack of 25 June 2006 (see para. 10 above), after which it was severely restricted. From 25 June to 31 December, the Rafah crossing was open only 15 per cent of its scheduled hours. As a result, local staff were forced to wait for days, or sometimes weeks, on the Egyptian side before re-entering the Gaza Strip.

46. Movement restrictions imposed by the Israeli authorities on the occupied Palestinian territory have resulted in lost staff days, labour replacement costs and associated administrative costs totalling approximately $349,000 for the period.

47. During the reporting period, no significant movement restrictions were imposed on UNRWA staff by the Governments of Jordan, Lebanon and the Syrian Arab Republic or by the Palestinian Authority.

48. At the end of 2006, 13 staff members were still being detained, 8 of whom were held by the Israeli authorities, 2 by the Palestinian authorities, and 1 each by the authorities of Jordan, Lebanon and the Syrian Arab Republic. Despite repeated requests made by the Agency in accordance with General Assembly resolution 36/232 of 18 December 1981, the Israeli authorities did not provide access to detained UNRWA staff or any requested information concerning them. The Agency was unable to ensure that rights and obligations flowing from the Charter of the United Nations and the 1946 Convention were respected. Further, the lack of access and documentary information hampered the Agency's ability to consider disciplinary measures.

2. Agency services and premises

49. UNRWA is normally required to route its humanitarian shipments into the Gaza Strip through the Karni crossing, except for construction materials, which enter through the Sofa crossing. The Israeli authorities continued to impose transit charges on UNRWA containers, amounting to $108,486 in 2006. In the Agency's view, the charge is a direct tax, from which it should be exempt under the 1946 Convention. In 2006, the Karni crossing was closed to containers for 139 of 270 working days. Even when the crossing was open, UNRWA was prevented from moving containers in sufficient numbers to avoid incurring excess charges for storage, demurrage and transportation. From late March to the end of the reporting period, there was a constant backlog of empty containers stuck inside the Gaza Strip. Of the $2.1 million incurred in charges for storage, demurrage and transportation during the calendar year 2006, total excess charges amounted to $1.4 million (of which $1.1 million was excess demurrage charges). Although restrictions on movement of goods through the Karni crossing were often linked by the Israeli authorities to security incidents and alerts, and although the Agency was allowed to move goods into Gaza through the more expensive Sofa crossing on some 14 days between September and December (and through the Kerem Shalom crossing for donations from Egypt), the Agency considers that, for substantial periods, the throughput was not consistent with the obligations of Israel under the Comay-Michelmore Agreement and under article 59 of the 1949 Geneva Convention relative to the Protection of Civilian Persons in Time of War.

50. During the reporting period, 46 Agency construction and infrastructure projects in the West Bank and Gaza Strip, with an overall budget of $16.9 million, were delayed or stopped altogether due to the restrictions on the movement of personnel, vehicles and construction materials. In Lebanon, the entry of construction materials to camps in the south is subject to approval from the Lebanese army, but it did not cause delays during the reporting period, although it remains a cumbersome procedure.

51. The Operations Support Officer programme continued in both the West Bank and the Gaza Strip. The programme played an invaluable role in facilitating access of staff members and UNRWA vehicles through checkpoints and to areas affected by Israeli military operations; in monitoring the humanitarian crisis among the

Palestinian population; in the inspection of UNRWA installations; and in providing a measure of protection to Palestine refugees.

52. The 1946 Convention provides that "the premises of the United Nations shall be inviolable" and, under the Comay-Michelmore Agreement, Israel is obligated to "ensure the protection and security of the personnel, installations and property of UNRWA". However, in the West Bank, the Israeli military forcibly entered UNRWA premises on nine occasions, and threw tear gas, stun grenades or sound bombs into UNRWA premises on 10 occasions. Three UNRWA schools were hit by shelling or gunfire from the direction of Israeli positions. In the Gaza Strip, during the first six months alone, on 12 occasions, some of which were during school hours, shrapnel from Israeli shelling in the north of the Gaza Strip landed inside UNRWA schools or schoolyards. During Israeli incursions in July and November, extensive damage was caused to five UNRWA schools, a health centre in Beit Hanoun and two UNRWA warehouses in the Karni area. On 18 November, two schoolchildren in an UNRWA school in Beit Lahia were injured during school hours by bullets fired from the direction of positions occupied by Israel Defense Forces. During the hostilities in Lebanon, one UNRWA medical installation in Nabatieh suffered material damage.

53. The Agency intends to submit to Israel claims for damage to its installations totalling $96,000 for 2006, which would bring the total amount of claims for such damages submitted to Israel since the beginning of the current intifada to $1,048,000. Israel has not responded to these claims for damages, although in response to some individual protests, Israel has denied or disputed responsibility for causing damage.

54. In the West Bank, two incursions were carried out by Palestinian youths into UNRWA schools. In the Gaza Strip, armed Palestinians hijacked two UNRWA vehicles, one of which was later recovered, and on five occasions forcibly entered and fired their weapons inside UNRWA installations. One teacher and three students were wounded inside UNRWA schools by shooting during Palestinian armed clashes and demonstrations. In cases involving Palestinian gunmen, the Agency protested to and sought greater police protection from the Palestinian Authority.

55. There were no incursions into UNRWA premises in Jordan, Lebanon or the Syrian Arab Republic.

3. Other matters

56. During the reporting period, pursuant to a 1996 agreement, the Agency was reimbursed by the Palestinian Authority the sum of $26,154 for value-added tax paid by the Agency. At 31 December 2006, the total amount of value-added tax still due to the Agency from the Palestinian Authority was approximately $12.8 million. The Palestinian Authority has continued to acknowledge that reimbursement of value-added tax is due to the Agency.

57. The issue of reimbursement by the Government of Israel of port and related charges incurred by the Agency in connection with goods imported to the Gaza Strip and the West Bank through Israel is unresolved. The Agency's position is that the obligation to pay port and related charges remains with the Government of Israel pursuant to the terms of the Comay-Michelmore Agreement. The total amount of port charges due to the Agency at 31 December 2006 was $27,756,193. That amount includes the cost of container transit charges and excessive storage, demurrage and

transportation charges (referred to in para. 49 above). To date, the Agency has submitted claims for port charges totalling $26,079,335 to the Government of Israel.

58. During the reporting period, the Agency continued to be required to pay port fees and other charges to the Syrian authorities, contrary to the 1948 Agreement between the United Nations and the Government of the Syrian Arab Republic. In 2006, fees and charges totalling $19,890 were paid. While the Ministry of Foreign Affairs has indicated that it would consider the matter, it remained unresolved at the end of the reporting period.

4. Legal status of Palestine refugees in the Agency's area of operations

59. All Palestinians within the occupied Palestinian territory have their movement tightly controlled by a complex Israeli permit and identity documents regime. Refugees have access to Palestinian Authority services and voting rights equal to those of other Palestinians.

60. Most refugees in Jordan enjoy Jordanian citizenship, are able to work and have access to Government assistance. Refugees who left the Gaza Strip in 1967, and their descendants, have only temporary Jordanian passports.

61. In Lebanon, registered refugees are permitted to hold manual and clerical jobs, but are effectively prohibited from certain professions, including medicine, law and engineering, and have limited access to Government services. Welcome signs that the Government is considering easing those restrictions have not resulted in legislative changes. Refugees receive identity and travel documents of varying duration, depending on their registration status. Those who reside in camps have to apply for a permit before moving to other camps. Laws preventing Palestine refugees from buying property remained in force.

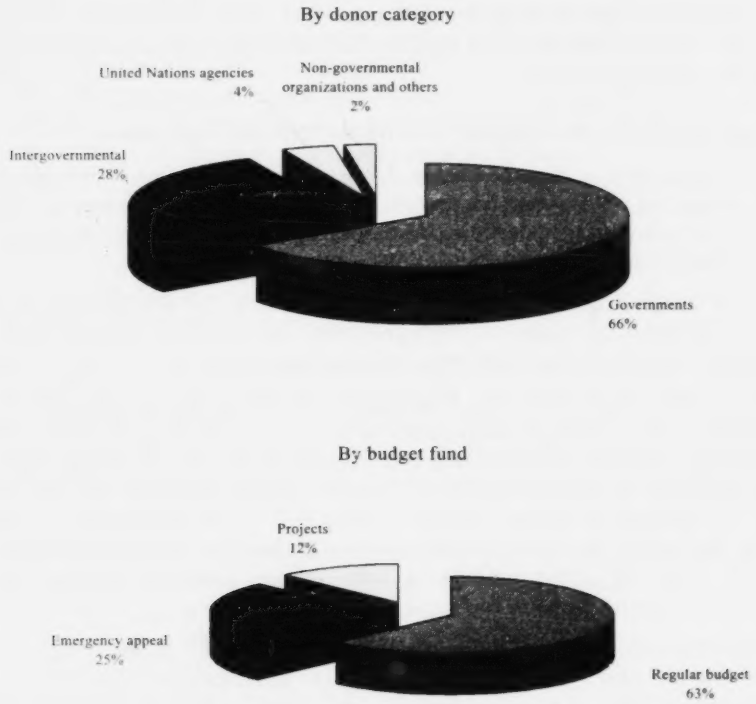
62. Palestine refugees in the Syrian Arab Republic have full access to Government services and the labour market, but have no right to be naturalized or to vote. The Government provided to Palestine refugees basic services such as education, health, housing, utilities and social services.

E. Financial overview

1. Sources of funding

63. With the exception of the regular international staff posts funded by the General Assembly through assessed contributions, UNRWA operations, projects and emergency appeals are funded by the voluntary contributions of donors (see figure I). The Agency's project expenditure mainly consists of non-recurrent costs funded by earmarked contributions for specific activities. Project funding supports, complements and enhances the Agency's regular activities and programmes.

Figure I
Distribution of sources of funding by donor category and budget fund



2. Expenditure

64. The Agency expended $598.7 million in 2006 against a total budget of $639 million on its regular budget, projects and emergency appeal activities. The largest component was expenditure of $417.1 million under the regular budget, accounting for nearly 70 per cent of total expenditure. Emergency appeal activities and projects accounted for 23 per cent and 7 per cent, respectively. The microfinance and microenterprise programme made up less than 1 per cent of total expenditure.

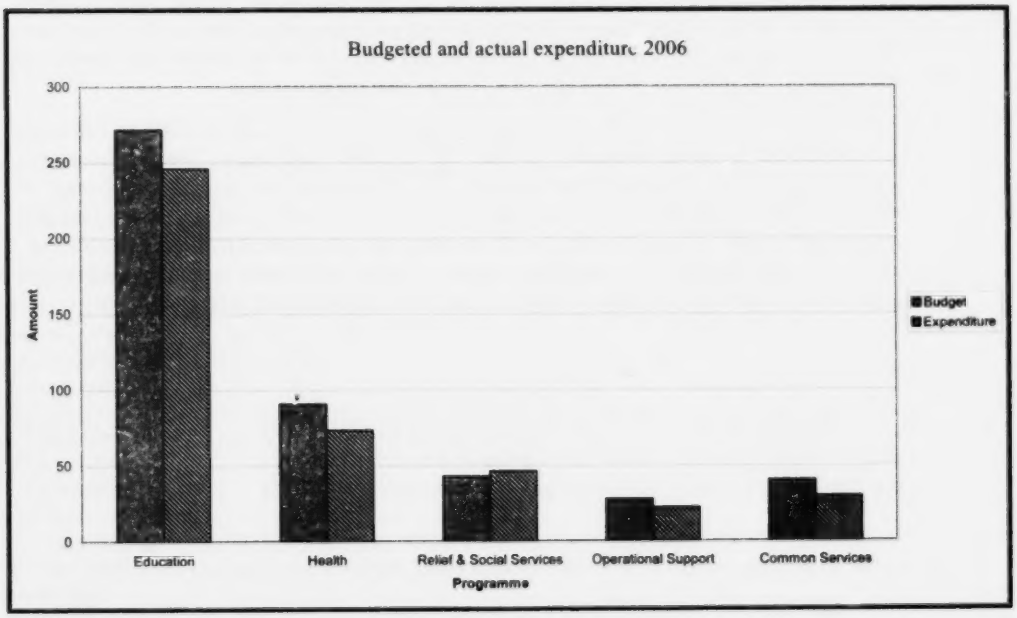
65. As in the past, education remained the largest programme in 2006, with a budget accounting for almost 60 per cent of the total (see table 1). Health, relief and social services, operational and technical services, and common services followed with 18 per cent, 11 per cent, 5 per cent and 7 per cent, respectively.

Table 1
UNRWA regular budget 2006
(millions of United States dollars)

	Budget	*Expenditure (amount)*	*Expenditure (percentage of total)*	*Unfunded portion (amount)*	*Unfunded portion (percentage)*
Education	271.5	246.0	59	25.5	9.4
Health	90.6	73.1	17.5	17.5	19.3
Relief and social services	42.6	46	11	-3.4	-8
Operational and technical support	27.5	22	5.3	5.5	20
Common services	40	30	7.2	10	25
Other	16.4	—	—	16.4	—
Total	**488.6**	**417.1**	**100**	**71.5**	**14.6**

66. The unfunded portion of $71.5 million resulted from the difference between a needs-based budget and the contributions donors were prepared to offer. The shortfall necessitated the adoption of stringent austerity measures throughout the Agency.

Figure II
Comparison of the budget and actual expenditure
(Thousands of United States dollars)



II. Subprogramme overview

A. Performance report for sub-goal I: education

67. The Agency's education programme aims to provide Palestine refugees with quality education and opportunities to acquire knowledge, skills, attitudes and values that enhance their development as responsible citizens capable of making informed decisions and a positive contribution to their society (see table 2).

68. The programme includes education at the elementary, preparatory and secondary (in Lebanon only) levels for almost half a million children, technical and vocational education, teacher training, placement and career guidance and a limited number of scholarships. Highlights in 2006 included the following:

(a) A quality assurance framework for UNRWA schools was launched and consultations were initiated on the "Schools of Excellence" initiative in Gaza;

(b) A joint (health and education departments) review of the psychosocial support programme was undertaken with the aim of improving its effectiveness;

(c) Plans to expand technical and vocational training in Gaza went ahead despite considerable difficulties. The plans include the introduction of new courses at the Gaza Training Centre and construction of a new training centre in Khan Younis. A number of courses at the new centre will be specifically designed to benefit women;

(d) UNRWA vocational training centres achieved high pass rates in the external comprehensive examinations, the average being 96.6 per cent. Three centres scored 100 per cent results, with UNRWA trainees attaining the top positions (8 out of 10 and 31 out of 40 at Amman Training Centre and Wadi Seer Training Centre, respectively);

(e) A total of 200 (approximately 10 per cent) new places were created through the drive to optimize vocational training without additional costs. More than 40 short-term courses were run to enable young refugees to be trained and employed in seasonal occupations with high local labour market demands;

(f) The conflict in the occupied Palestinian territory and in 2006 in Lebanon continued to fragment learning patterns for children and impair their educational achievements. To safeguard the educational, emotional and social well-being of pupils, UNRWA arranged extracurricular activities in drama, music, sports, theatre and creative arts through funding made available by the United Nations Educational, Scientific and Cultural Organization. Most activities were built around the Agency's extensive programme on human rights, conflict resolution and tolerance.

Table 2
Performance by indicators*

Expected accomplishments	*Performance indicators*	*Achievements*
Maintenance and improvement of the quality of education provided to the Palestine refugee population at all levels by maintaining an environment conducive to learning; meeting the needs arising from the natural growth in the refugee population through upgrading and construction of facilities; and enhancing the skills and competencies of the Agency's teaching and training staff.	(i) Maintenance of relatively high pupil pass rate in the elementary cycle	Unit of measure: percentage Target (2006): 96 Result (2006): 94.85
	(ii) Maintenance of relatively high pupil pass rate in the preparatory cycle	Unit of measure: percentage Target (2006): 98 Result (2006): 95.5
	(iii) Maintenance of relatively low dropout rate in the elementary cycle	Unit of measure: percentage Target (2006): 0.5 Result (2006): 0.42
	(iv) Reduction in the dropout rate in the preparatory cycle	Unit of measure: percentage Target (2006): 2.8 Result (2006): 2.55
	(v) Number of additional educational facilities or other infrastructure facilities constructed or renovated	Unit of measure: number of facilities Target (2006): 384 Result (2006): 293
	(vi) Number of education staff from various categories (teaching and non-teaching) trained	Unit of measure: number of staff Target (2006): 1,800 Result (2006): 1,790
	(vii) Improvement in the pupil to teacher ratio in the elementary cycle	Unit of measure: ratio Target (2006): 36:1 Result (2006): 30.73:1
	(viii) Improvement in the pupil to teacher ratio in the preparatory cycle	Unit of measure: ratio Target (2006): 27:1 Result (2006): 24.1:1
	(ix) Number of schools operating on a double-shift basis	Unit of measure: number of schools Target (2006): 470 Result (2006): 517
Adaptation and improvement of course content and curricula in the general and technical education programmes in order to match developments in host countries.	Percentage of the curricula adapted/ improved relative to the total number of modifications required	Unit of measure: percentage Target (2006): 100 per cent Result (2006): 100 per cent
Adaptation and improvement of course content and curricula in vocational training institutions to meet changing market conditions.	Percentage of the curricula adapted/improved relative to the total number of modifications required	Unit of measure: percentage Target (2006): 100 per cent Result (2006): 100 per cent

* The figures provided refer to the academic year 2005/06. The school year starts in September and ends in June of the following calendar year.

Significant activities

69. The launch of the quality assurance framework for UNRWA schools through an international conference, organized jointly by the United Kingdom Department for International Development and the Jordanian Ministry of Education, was attended by over 200 participants from the Arab region. The framework is now in operation Agency-wide.

70. As part of the quality assurance framework, the Gaza Field has embarked on the Schools of Excellence initiative following extensive consultations with staff, pupils, parents and the community at large. The initiative is built around the core principles of:

- Remedial education support
- School governance
- Improving teaching and learning outcomes
- Active and ongoing engagement with parents and the community
- The elimination of corporal punishment and violence in schools
- Independent monitoring and evaluation

The initiative offers a systematic approach to redressing the deficiencies in Gaza's education programme created by the ongoing conflict and emergency situation.

71. In July, 26 UNRWA schools offered emergency accommodation to approximately 4,500 people during the conflict in Lebanon. Early recovery activities were undertaken to minimize the effect of the conflict on children's education and the community. They included:

- The provision of school supplies for children in affected areas
- Psychosocial support
- Recreational therapy
- An unexploded ordnance awareness campaign for children and teachers
- Early repairs of schools, furniture and water storage systems.

72. UNRWA worked diligently with non-governmental organizations and other United Nations agencies in ensuring that schools started on time so that the impact on children's education was minimized. Rapidly returning to a normal routine also had emotional benefits for pupils.

73. A high-level review covering the issues of safety, security and protection of children in UNRWA schools was conducted. More than 2,000 UNRWA staff members, parents and children were interviewed to develop an in-depth understanding of the prevalent system of rewards and sanctions in schools, its relevance to student motivation and demotivation and its implications for classroom learning experiences. A "Safe and Stimulating Schools" campaign is planned in response to the findings.

74. As part of the Agency's efforts to improve all programme effectiveness under its organizational development initiative, the education programme is developing new monitoring and evaluation tools that will measure performance at the

classroom, institutional and field-management levels and thus better quantify the outcomes of the programme.

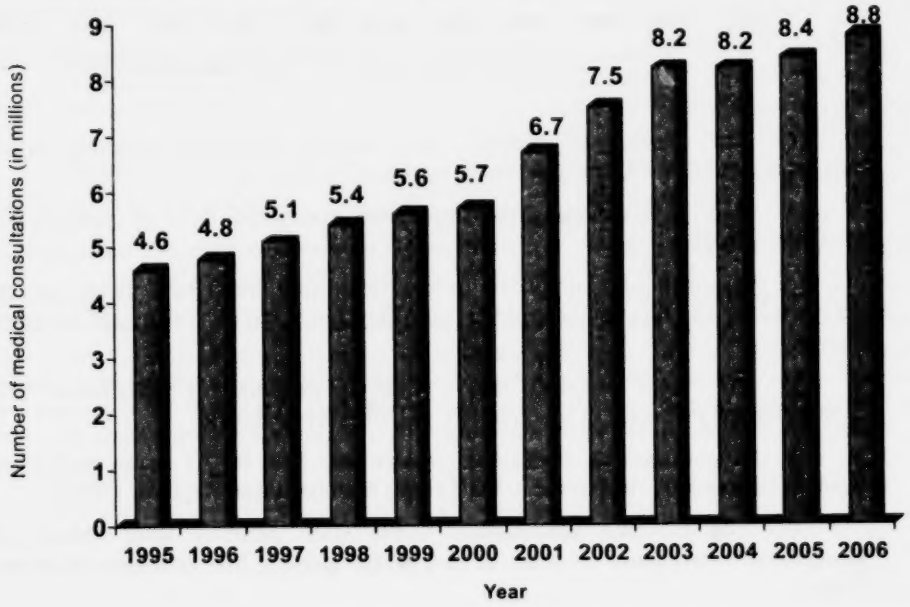
75. An external evaluation has been commissioned to measure the impact of the UNRWA human rights, conflict resolution and tolerance programme. Student parliaments are known to have had a significant impact on school discipline, parental engagement and, above all, developing societal, democratic and civic values for UNRWA students.

B. Performance report for sub-goal II: health

76. The goal of the health programme is to protect, preserve and promote the health status of Palestine refugees within the Agency's area of operations. It pursues this goal within the available means and in a manner consistent with the principles of the United Nations, the basic concepts and strategic approaches of WHO, the health-related Millennium Development Goals and the standards set out in the Convention on the Rights of the Child. Highlights include the following:

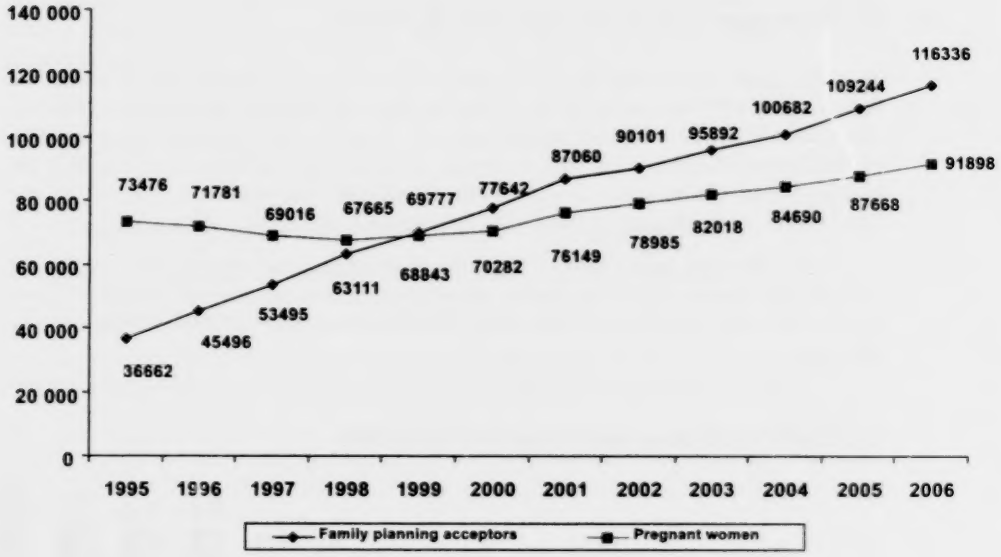
(a) Medical consultations provided to refugees rose by 4.8 per cent, to 8.8 million (see figure III). The number of refugees receiving hospital treatment grew by 11.4 per cent, to 68,986, while dental consultations increased by 4.3 per cent, to 683,898;

Figure III
Utilization of curative medical services 1995-2006



(b) The number of newly registered pregnant women increased by 4.8 per cent, to 91,889; those receiving post-natal care rose by 3.4 per cent, to 76,813; and the number of family planning acceptors grew by 6.5 per cent, to 116,336 (see figure IV);

Figure IV
Correlation between number of pregnant women and family planning acceptors 1995-2006



(c) The number of patients with non-communicable diseases under supervision at UNRWA health facilities increased by 15.1 per cent, to 146,092;

(d) Four postgraduate fellowships were sponsored fully or partially by UNRWA in 2006;

(e) A study was conducted in the Gaza and West Bank fields on the prevalence of anaemia among children aged between 6 and 36 months and pregnant women;

(f) Five joint planning and evaluation meetings of programme and subprogramme managers in headquarters and the field were held;

(g) A workshop on operations research was held for 13 senior staff from headquarters and the field at the WHO Eastern Mediterranean Regional Office;

(h) Two UNRWA headquarters health staff members were trained on Geographic Information Systems at the WHO Eastern Mediterranean Regional Office.

Table 3
Health: performance by indicator

Performance indicator	*Target*	*Result*
Infant mortality rate per 1,000 live births	22	22
Child mortality rate per 1,000 live births	25	24.4
Pregnant women registered at UNRWA maternal and child health clinics during first trimester (out of all pregnant Palestine refugee women)	60 per cent	65.8 per cent
Pregnant women who paid at least four visits to clinics during the antenatal period	90 per cent	90.8 per cent
Babies delivered by trained personnel	98 per cent	99.7 per cent
Women receiving post-natal care	96 per cent	93.3 per cent
Prevalence of contraceptive methods among mothers of infants 0 to 3 years of age attending UNRWA maternal and child health clinics	55 per cent	55.4 per cent
Total fertility rate	3.2	3.2
Pregnant women protected against tetanus	Above 95 per cent	98.7 per cent
12-month-old infants fully immunized	Above 95 per cent	99.4 per cent
18-month-old infants receiving all booster doses	Above 95 per cent	99.4 per cent
Incidence of neonatal tetanus and poliomyelitis	0	0
Cure rate of smear positive TB cases	100 per cent	100 per cent
Average daily medical consultations per doctor*	70	95
Camp shelters with access to safe water	98 per cent	99.7 per cent
Refugee shelters connected to underground sewerage system	85 per cent	84 per cent
Female medical personnel	50 per cent	30.6 per cent

* The workload at UNRWA primary health-care facilities was reduced from an average of 110 patients in 2005 to 95 patients per medical officer by the end of 2006 owing to a decrease in the load in the Gaza field from 137 to 95 and the reduction in the Jordan field from 106 to 92 after the recruitment of additional medical officers. The highest workload was observed in the West Bank field (108 patients per medical officer per day) and the lowest in the Lebanon field (83).

Significant activities

77. During 2006, family planning services and maternal health-care services benefited from a new health management information system in all 127 UNRWA health centres. Among its advantages, the new system allows for the rapid interpretation of health-related data and the evaluation of medical outcomes.

78. At the end of 2006, the health programme introduced a Geographic Information System at the headquarters level. The new system provides a framework for managing a broad range of challenges in public health, in particular:

- Assessing health service availability and accessibility
- Mapping health events and identifying disease clusters
- Conducting real-time disease surveillance
- Stratifying risk factors and identifying population at risk
- Monitoring and resource mobilization.

79. A new risk-assessment tool was introduced in the non-communicable diseases clinic in the last quarter of 2006. The objective is to better evaluate patients under care for diabetes and hypertension and to assess their likelihood of developing complications, such as cardiovascular diseases, by considering their lifestyle and other risk factors. Risk assessment is used at UNRWA clinics to establish priorities for secondary prevention strategy, which comprises the promotion of lifestyle changes and the management of cardiovascular risk factors by means of medical treatment.

C. Performance report for sub-goal III: relief and social services

80. The goal of the Agency's relief and social services programme is to provide a social safety net for the most impoverished Palestine refugees and to promote the self-reliance of less advantaged members of the refugee community, especially women, the elderly, youth and those with disabilities. Services provided by the relief and social services programme include food support; shelter rehabilitation and cash assistance to families living in conditions of special hardship; community-based social services; access to subsidized credit; and the maintenance, updating and preservation of records and documents of 4.3 million registered refugees. Highlights include the following:

(a) Revised bilingual consolidated eligibility and registration instructions were finalized and issued in 2006. The instructions provide for the extension of services to the families of registered refugee women married to non-refugees;

(b) In the process of developing and implementing a "poverty-based" approach for special hardship food aid distributions, the results of the first in-depth socio-economic survey of 3,603 families living in conditions of special hardship were analysed for policy implications and disseminated to donors, host authority representatives and relevant staff;

(c) The first social services policy and guidelines, designed to clarify and streamline policy issues with regard to the delivery of social services, was finalized;

(d) The caseload for social workers was reduced from 250 to 200 cases per social worker in order to enhance the ability of social workers to provide quality services in a more efficient and effective manner;

(e) The 2-year certified education programme, which was developed in partnership with Southern Illinois University, continued to upgrade the technical capabilities of social workers;

(f) The value of the safety net food package ($95.40) for families living in conditions of special hardship in Jordan, Lebanon and the Syrian Arab Republic continued to fall short of the targeted $110 per refugee per annum owing to lack of funds;

(g) Selective cash assistance was severely curtailed by Agency-wide austerity measures during the year, falling by almost 90 per cent;

(h) During the year, the rehabilitation of 778 shelters for special hardship cases was completed, representing 8.6 per cent of the total 9,000 shelters identified as being in need of rehabilitation;

(i) The worsening socio-economic conditions in the Gaza Strip and West Bank contributed to increasing demands for emergency cash assistance by desperate refugee families;

(j) Around 650 Palestine refugees from Iraq in the Syrian Arab Republic were granted UNRWA service cards, allowing them to benefit from primary health and education services;

(k) The Palestine Refugee Records Project engaged a local company to develop software for the Agency's new refugee registration information system, which will computerize the records of 4.4 million refugees. Since 2005, 6.2 million of 11 million documents have been scanned and stored.

Table 4
Relief and social services: performance by indicator

		Achievements	
Expected accomplishment	*Performance indicator*	*2006 target*	*2006 result*
Improved quarterly delivery of food rations and cash subsidy "safety net" support to special hardship case families	Percentage of food rations and cash subsidies distributed in relation to the projected ceiling	100 per cent	A quarterly average of 236,009 beneficiaries received their rations and cash subsidies, representing 99.4 per cent of the yearly projected ration/cash subsidy ceiling (237,344)
Improved quality of services	Satisfaction level of special hardship case families with the quantity of the food/cash basket	100 per cent	The satisfaction level of families stood at 51 per cent, as revealed in the survey conducted by the senior poverty adviser by end of 2005

		Achievements	
Expected accomplishment	*Performance indicator*	*2006 target*	*2006 result*
Increased provision of selective cash to refugee families facing emergency financial crisis in a timely manner	Percentage of increase in number of special hardship case and non-special hardship case families receiving cash assistance in relation to the previous reporting period	Special hardship case families: 25 per cent Non-special hardship case families: 2 per cent	1,230 (2 per cent) of the total numbers of special hardship case families benefited; 51 non-special hardship case families were assisted, representing 2.7 per cent of all non-special hardship case families. The target was not achieved owing to the Agency's imposed austerity measures
Maintained ability to keep up-to-date computerized registry of all registered refugees through timely verifications and modification transactions	Percentage of modifications and verifications processed for refugees and Governments, United Nations agencies or valid officials	100 per cent	505,837 modification transactions completed and 132,871 verification requests processed, equal to 100 per cent completion of all requests received
	Percentage of new registrations processed by headquarters within two weeks	100 per cent	257 new registration requests were approved by the department of relief and social services, representing 43 per cent of total pending, received and rejected applications
Increased development opportunities for women	Number of women benefiting from skills training activities	7,000	8,915 (27 per cent increase)
Greater access to services and opportunities for persons with disabilities	Number of persons with disabilities receiving direct rehabilitation services	11,000	14,714 (33 per cent increase) due to the prevailing situation in Gaza and the West Bank, where the demand for direct rehabilitation services increased beyond expectations
Greater access of children and youth to educational cultural and recreational activities	Number of children participating	50,000	56,311 (12 per cent increase)
Increased provision of credit and skills training opportunities to refugees	Number of clients benefiting from loan products	2,200	1,914 (13 per cent decrease). Target was not met owing to the current situation in Gaza and West Bank

Significant activities

Relief services

81. As a result of the Agency-wide special hardship case survey and an analysis of poverty data from all fields (except Lebanon), field-specific absolute and abject poverty lines were developed, income thresholds and eligibility criteria for special hardship case families revised accordingly and new payment schemes proposed.

82. Following the decision to recognize the entitlements of family members of refugee women married to non-refugee men, 90,446 people were enrolled as non-refugees eligible to receive UNRWA services. Most of this increase was precipitated by the drastic economic decline in the occupied Palestinian territory.

83. In cooperation with two international non-governmental organizations, the Rafah women's programme centre established a dairy production unit, where 45 women from all over the Gaza Strip were trained on how to make and preserve dairy products.

84. The women's programme centre in Camp No. 1 in Nablus, West Bank, launched its own website. The site was developed to increase the local and international community's awareness of the centre's objectives and activities and to provide information on the locality the centre serves.

85. The disability programme conducted a new survey in all refugee camps in the West Bank. The study gathered information on the number of people with disabilities and on age, gender, type of disability, causes of disability and the services provided and needed.

86. A total of 71 Palestinian clubs and youth centres in Lebanon produced a report detailing their structure, main activities, services and capacity-building needs.

87. A total of 1,914 individuals benefited from the subsidized loans disbursed under the microcredit community support programme. Sixteen community-based organizations have been trained to offer and manage credit programmes, from which 1,254 female refugees have received loans. In addition, the apprenticeship programme in the West Bank helped 190 special hardship case families. Unfortunately, owing to the continued unrest in the Gaza Strip, the microcredit community support programme has not been launched there.

D. Performance report for sub-goal IV: microfinance and microenterprise

88. The goal of the Agency's microfinance and microenterprise programme is to promote human and economic development and alleviate poverty. This is achieved through the provision of credit for small businesses, microenterprises, household consumption and housing needs. The programme aims to improve the quality of life of microenterprise owners, sustain jobs, reduce unemployment and poverty, build household assets, improve housing stock, empower women and provide economic opportunities for youth. Highlights include the following:

(a) In 16 years, the programme has financed over 126,000 loans totalling $131 million. It is the leading microfinance provider in the occupied Palestinian

territory and is now pioneering the development of urban microfinance in the Syrian Arab Republic;

(b) The programme's base loan capital increased by $2 million thanks to an earmarked contribution that will enable the programme to increase its credit outreach to the agriculture and food-processing sectors;

(c) The programme extended its branch network to 13 offices in 2006 and will add an additional five offices in Jordan and the Syrian Arab Republic in 2007;

(d) In 2006, the programme successfully tested its new housing microfinance loans product in Gaza. While the product was piloted under the least auspicious conditions, the quality of the portfolio was remarkable, characterized by an annual repayment rate of 100 per cent and a portfolio-at-risk of less than half a percentage point. However, this was achieved by maintaining very stringent financial and collateral conditions that limited the reach of the product;

(e) The programme began the expansion of its activities in the Syrian Arab Republic by introducing its women-only, solidarity group lending product. Staff members are recruited and training is under way. The new product will be retailed at the programme's Yarmouk branch offices before being extended to all branch offices in the country;

(f) The programme continued the administration and development of the PalFund trust fund, which is supported by the Organization of the Petroleum Exporting Countries Fund for International Development. By the end of 2006, it had financed 7,282 microenterprise loans valued at $7.27 million in the occupied Palestinian territory from a trust fund capital of $2.37 million;

(g) The programme continued to develop its transparency and disclosure through microfinance stakeholding institutions, including the Consultative Group to Assist the Poor, Sanabel — Microfinance Network for Arab Countries and the Palestinian Network for Small and Microfinance. It has persisted in benchmarking its activities with global, regional and local microfinance institutions through its quarterly and annual participation in the MIX market and by undertaking a biennial rating by a microfinance rating institution, the most recent being in 2005 by Planet Rating;

(h) The programme is also improving its social performance management by training key staff in performance and impact assessment methodologies and building a framework for reporting, analysis, monitoring and evaluation of microfinance outcomes and impact on clients. To ensure external validation of this activity, an annual impact assessment is carried out by an external firm providing social performance management or impact assessment studies.

Table 5
Microfinance and microenterprise: performance by indicator

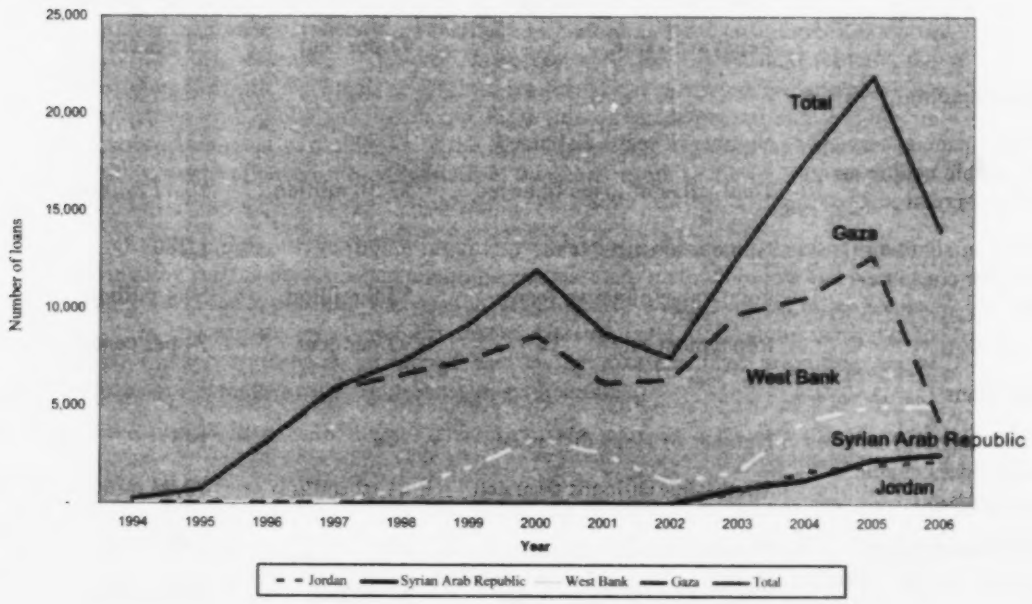
Expected accomplishment	*Performance indicator*	*Achievements*	
		2006 target	*2006 result*
Microenterprise credit			
Increased business development and income-generating opportunities	Number of loans disbursed	28,880	11,264
	Total value of loans financed	$30.30 million	$12.45 million
Improved outstanding portfolio and number of active loans	Number of active loans	10,000	8,626
	Total value of active loans	$10 million	$5.74 million
	Repayment rate	97 per cent	92 per cent
Solidarity group lending			
Increased capacity of women microentrepreneurs	Number of loans disbursed to women	8,400	1,778
	Total value of loans financed	$4.32 million	$1.06 million
Improved outstanding portfolio for women clients	Number of active loans to women	4,700	2,226
	Total value of active loans	$1.5 million	$0.64 million
	Repayment rate	97 per cent	83 per cent
Consumer lending			
Increased financial services to poor people unable to access bank credit	Number of loans disbursed	12,600	821
	Total value of loans financed	$7.56 million	$0.47 million
Improved outstanding portfolio for consumer clients	Number of active loans	5,000	1,280
	Total value of active loans	$3.8 million	$0.4 million
	Repayment rate	97 per cent	74 per cent
Housing loans			
Increased financial services to householders unable to access mortgages	Number of loans disbursed	306	145
	Total value of loans financed	$1.62 million	$0.93 million
Improved outstanding portfolio for home-owner clients	Number of active loans	300	145
	Total value of active loans	$2 million	$0.8 million
	Repayment rate	97 per cent	100 per cent

Expected accomplishment	*Performance indicator*	*Achievements*	
		2006 target	*2006 result*
Small-scale enterprise			
Increased development opportunities for small-scale enterprises	Number of loans disbursed	1,320	15
	Total value of loans financed	$14.4 million	$0.13 million
Improved outstanding portfolio	Number of active loans	400	74
	Total value of active loans	$15 million	$0.36 million
	Repayment rate	97 per cent	64 per cent

Significant activities

89. The economic decline in the occupied Palestinian territory in 2006 resulted in a significant decrease in the money supply and created a credit squeeze that had a significant impact on the microenterprise sector. As a result, the general outreach of the programme declined in 2006. That development was precipitated by a huge decline in Gaza, where, for the first time ever, programme outreach fell below that of the West Bank.

Figure V
Annual number of loans financed by region

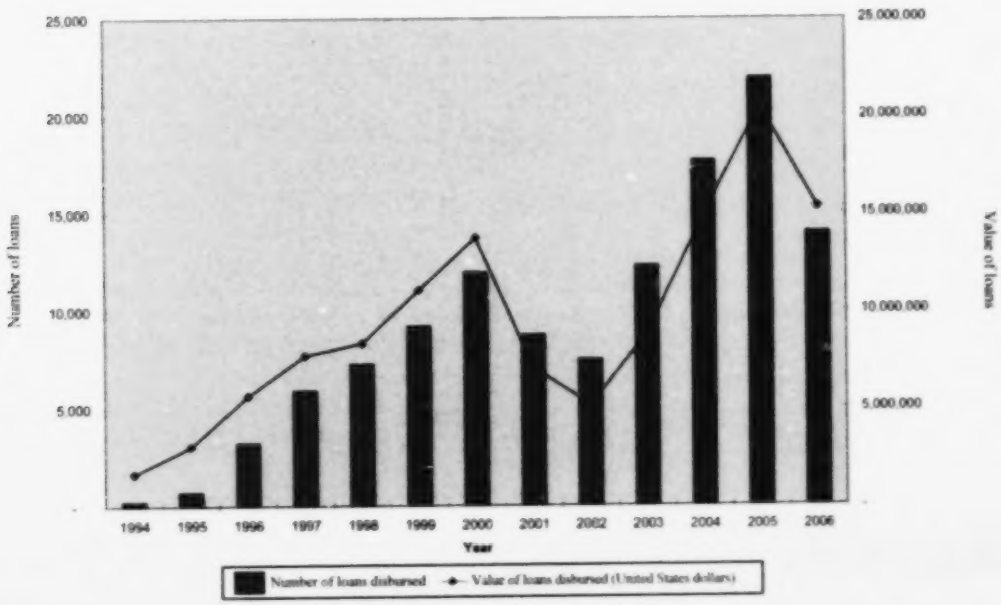


90. As a result of the significant market decline, the operational self-sufficiency rate of the programme fell to 69 per cent, with a net operating loss of $1.06 million, mostly attributable to losses of $997,096 in the programme's operations in Gaza. While the situation in Gaza was made more difficult by the greater dependency of its economy on public sector investments and wages, inter-Palestinian violence in the second half of 2006 also contributed to economic decline, increased insecurity and business risk.

91. Despite a similar, if less severe, compression in the economy of the West Bank, the programme's operations improved during the period under review. Although the programme did not meet its target of covering all costs from its operating income, the operational self-sufficiency rate in the West Bank increased to 86 per cent in 2006. The most significant improvement was in Jordan and the Syrian Arab Republic, which achieved operational self-sufficiency rates of 109 and 119 per cent respectively, enabling both fields to produce a net profit and, for the first time, to cover their share of administrative costs.

92. The current decline is of the same order of magnitude as that which faced the programme following the outbreak of the second intifada in September 2000. In 2006, the programme financed just 14,023 loans worth $15.03 million, significantly below its performance targets. Some 36 per cent of financing was in the West Bank, 31 per cent in Gaza, 19 per cent in Jordan and 13 per cent in the Syrian Arab Republic. In order to reverse or mitigate that trend, the programme has embarked on a rapid extension of the branch office network in Jordan and the Syrian Arab Republic. At the same time, it will introduce new products in the West Bank, Jordan and the Syrian Arab Republic to compensate for the loss of outreach in Gaza. The measures are in addition to a staff reduction of 20 per cent.

Figure VI
Annual lending of the microfinance and microenterprise department



93. As a result of the current crisis in Gaza, the programme has fallen significantly short of its performance targets for 2006 and its loan financing goals set out in the UNRWA medium-term plan for the period 2005-2009. It is expected, however, that even if the situation in Gaza continues to deteriorate in 2007 and 2008, the measures outlined above will enable the programme to recover lost ground.

94. As part of its commitment to meeting the United Nations challenge to build inclusive financial systems for the poor, UNRWA is now examining the prospects of incorporating safe-savings products into microfinance services for the poor. The introduction of new banking software in 2007 will make such an expansion of its services much simpler to introduce and more efficient to manage.

07-28875 (E) 100807

A/62/13/Add.1

United Nations

Report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Programme budget 2008-2009

General Assembly
Official Records
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United Nations • New York, 2007

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[6 August 2007]

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Chapter I
Introduction to the 2008-2009 biennium budget

1. The United Nations Relief and Works Agency (UNRWA or the Agency), was established in 1949 as a subsidiary organ of the United Nations with a mandate "to carry out direct relief and works programmes" for Palestine refugees. The UN General Assembly has repeatedly renewed UNRWA's mandate thereby acknowledging that it is essential for the international community to continue addressing the needs of Palestine refugees. As a United Nations agency, UNRWA is under an obligation to abide by the UN Charter and other international instruments, including those devoted to the promotion of human rights.

MISSION

2. The Agency's mission is to help Palestine refugees achieve their full potential in human development terms under the difficult circumstances in which they live. Palestine refugees should:

   a) Have long and healthy lives;

   b) Acquire appropriate knowledge and skills;

   c) Enjoy a decent standard of living; and

   d) Enjoy human rights to the fullest extent possible.

3. UNRWA's purpose can be summed up in three words: *Serving Palestine refugees*. Palestine refugees are the focus of the Agency's thinking, planning and activities. Promoting their interests as individuals with rights and entitlements under international law and ensuring their well-being and long-term human development are the engines that will continue to drive all aspects of UNRWA's activities.

4. Although UNRWA is a principal agent for the human development of Palestine refugees in the West Bank, the Gaza Strip, Jordan, the Syrian Arab Republic (Syria) and Lebanon, the Agency is not the only organization whose activities contribute to the human development of Palestine refugees. UNRWA does not, for example, engage in activities in the areas of tertiary education, rule of law or security. The Agency's identity remains that of a public service organization that provides essential services to Palestine refugees in the areas of relief and works as well as the direct delivery of education (Millennium Development Goal (MDG) 2), health (MDGs 4, 5 and 6), relief and social services (MDG 1), infrastructure (MDG 7) and microfinance (MDGs 1 and 3). These will continue to be the main programmes through which services are delivered. The Agency will also maintain its emergency response activities for which there has been an increased need in recent years in some fields.

5. During 2008-2009, UNRWA will ensure that its programmes are delivered in accordance with the Agency's commitment to inclusion, protection, gender equality, and support for vulnerable groups.

   a) "Inclusion" is an overarching theme which is the criterion by which the Agency designs its approach to service delivery. In the UNRWA context, inclusion means ensuring that no group of the refugee population is, because of gender, age, socio-economic status, physical/mental ability, less able to access UNRWA's services than any other group.

b) "Incorporating protection strategies" is a second overarching theme which must be reflected in everything the Agency does. Protection encompasses activities that are geared towards obtaining full respect for the rights of refugees under relevant international law. The Agency continues to develop a protection strategy which focuses on clarifying the actions, rights and legal precepts that are germane to UNRWA's mandate and to the Agency's specific operational context. The strategy will seek to maximize the points of intersection between the human development and human rights paradigms.

c) "Caring for the vulnerable" through the identification, and specific tailoring, of services to especially vulnerable groups within the Agency's refugee populations. The Agency will continue to focus on alleviating poverty among poor Palestine refugees in the short to medium term and building their human capacity in the long term. In addition to addressing the needs of the abject poor, the Agency will concentrate on providing targeted support to children with special educational needs by furnishing specialist teaching support to persons with disabilities and by providing community based rehabilitation support.

d) "Ensuring gender equality" (MDG 3) through the mainstreaming of a gender perspective into all activities and policies and through fostering an institutional culture that is both gender sensitive and gender-responsive.

e) "Protecting the Environment" through a better understanding and awareness of the environmental impact of operations and attempting to minimise negative impacts. This is an area that the Agency will be able to explore only with additional funding.

6. In order to bring about effective human development outcomes, the Agency will be driven by:

a) The need to provide excellence and quality;

b) Participation of and consultation with our stakeholders;

c) Decentralization, empowerment and a focus on delivery in the field;

d) Evidence based planning and needs based service delivery;

e) Integration and coordination of planning leading to a holistic approach to service delivery;

f) Innovation and responsiveness; and

g) Effective partnerships with beneficiaries and coordination with other service providers.

SCOPE AND SCALE

7. UNRWA is currently mandated to serve an estimated 4.6 million refugees (compared to 750,000 in 1950) in its five fields of operation. UNRWA has more than 32,000 staff posts. The current budgeted cost of recurrent activities is $1,093 million.

Some key features of UNRWA's operational environment include:

a) Over 50 per cent of the refugee population is below the age of 25;

b) Relative to global and regional standards, labour force participation rates are low. In the 20-24 year age group participation in the five fields of operation ranges from 51 per cent to 57 per cent;

c) Population density in refugee camps is extremely high by global standards;

d) Two-thirds of refugees now live outside refugee camps;

e) Use of UNRWA services differs considerably among the fields of operation;

f) UNRWA is the main regular service provider of basic health care services in all fields;

g) There are an estimated 485,000 refugee children of primary school age in UNRWA schools; and

h) There are approximately 250,000 registered Special Hardship Cases (SHCs) in 2007 compared to 90,000 in 1983.

8. The function of the five Programme Departments (Education, Health, Relief and Social Services, Microfinance and Infrastructure and Camp Development) is to develop policies and quality standards, prepare programme strategies, and provide support for monitoring, advice and performance evaluation. Programme strategies are implemented through the five field offices whose function is to operationalize the programme strategies within an overarching framework of enhancing human development and according to the needs and priorities of their respective refugee populations. Both programmes and field operations incorporate precepts from the various thematic areas.

9. A number of basic services are available to all refugees in all fields: primary education, technical and vocational training, comprehensive primary health care, and relief for impoverished families. There are also other activities which are undertaken according to unmet needs in specific circumstances, such as the provision of secondary education in Lebanon. Activities in this category will continue to be tailored to local needs and conditions allowing for different delivery modalities from field to field. The emphasis is on effectiveness and appropriateness in different environments.

10. UNRWA's Regular Budget for the 2008-2009 biennium comprises recurrent staff and non-staff costs. It is further divided into cash and in-kind portions. The cash budget is funded through cash contributions recorded as income to the General Fund (GF). The in-kind budget represents the value of donations that the Agency expects to receive based on agreements with donors or past practice.

11. The projects budget comprises mainly non-recurrent costs for funding by earmarked contributions. Only projects for which earmarked funds are received are implemented.

12. The projects budget has been included in the budget summary (see Table 1) at $114.4 million as this reflects consistent historical funding levels. However, for the purposes of transparency, the actual project funding requirements which are considerably higher are listed in separate Programme budgets. Therefore, the 2008-2009 budget does not represent the totality of the Agency's needs for the biennium. Planning for the emergency appeals is conducted on a six monthly or annual basis and does not lend itself to inclusion in the budget. During the biennium, the Agency will present potential donors with funding proposals from the projects budget.

13. Although UNRWA prepares its budget on a biennial basis, operations are financed on an annual basis. Accordingly, the budget reflects both biennial and annual aspects.

THE BUDGET PROCESS

14. The budget preparation exercise involves attaching monetary values to the Agency's strategic aims within the realistic confines of the Agency's capacity. Field Offices calculate the cost of operationalizing the programme strategies within the overall framework of enhancing human development and according to the needs and priorities of their respective refugee populations. Field Offices estimate the financial resources required for UNRWA to provide services that, as far as possible, meet relevant international and national standards.

15. This phase of the budgetary exercise includes special provisions to; integrate and enhance new outcome-related service delivery requirements, implement government decrees promulgated by the host authorities, address unmet basic priority needs of a recurrent nature, respond to other stakeholder requirements and allow for general increases in the costs of activities. This stage of the budget preparation process takes account of the following information:

a) Estimates of the cost of delivering services at current levels and at current prices;

b) Estimates of the impact of increasing costs of service delivery as a result of increases in the cost of inputs or the consequences of having to deliver services in a complex political environment; and

c) Estimates of the costs of necessary additions to the current level of service which may be driven by increases in refugee numbers, emerging needs or the need to undertake other planned investments to maintain, for example, our infrastructure or staff capacity.

16. The main drivers of financial requirements for the Agency are refugee numbers, progress against quality standards, increases in the costs of service delivery, the scale of humanitarian and emergency relief, and the costs of planned maintenance and development projects.

17. Under-funding presents a significant risk to the achievement of the Agency's performance indicators and targets. The Agency, host authorities and donors, are all well aware of the negative impact that under-funding can have on the quality of services delivered.

CURRENT PLANNING SCENARIOS AND ASSUMPTIONS

18. UNRWA operates in a turbulent region buffeted by the Arab-Israeli conflict and its consequences in terms of episodes of violence and a worsening socio-economic situation. Emergency conditions, especially in the Gaza Strip and the West Bank, impose heavy operational and financial burdens on the Agency, threatening the sustainability and quality of UNRWA services and necessitating emergency appeals, which complement the fundraising activities for the regular budget.

19. During the 2008-2009 biennium, there will be a continuing need for UNRWA to maintain operations at least at the same levels as in 2006-2007.

20. UNRWA expects a gradual increase in the number of registered refugees. Despite efforts by the Agency to make internal efficiency savings, it is inevitable that resource requirements will continue to increase.

21. In addition to economic, social and security risks, the Agency's services are also vulnerable to changes in funding levels of donor countries as well as changes in the ability of host authorities to assist in the serving of Palestine refugees.

22. Service delivery to refugees in the areas of education, health, relief, social services, microfinance, microenterprise and infrastructure – and staff costs in particular - now consume the majority of the budget. This leaves an ever smaller amount of funds for investing in improving the quality of UNRWA's services. As a consequence, the Agency has very limited scope for change.

23. The staffing review being conducted under the Agency's Organizational Development (OD) initiative will identify whether the Agency is using its staff in the most cost-effective manner. However, in light of a growing refugee population, any reforms will, at best, have a marginal short-term impact on the Agency's scope for change.

PRIORITIES AND FUTURE DIRECTION

24. The Agency's strategic **priorities** reflected in the 2008-2009 budget are:

a) Maintaining the service levels of the 2006-2007 biennium in all basic services;

b) Critically reviewing the way in which the Agency currently operates to identify performance improvements and improve the quality and impact of its services; and

c) Planning for some key programme improvements without which the scope and quality of programming, services and facilities will be at risk of further deterioration.

25. The Agency's **direction** is to build the foundations for developing a comprehensive strategy for 2010-2015. The budget for 2010-2011 will be founded on further development of on-going initiatives in a number of areas including:

a) Further development and implementation of the Agency's programme management systems, thereby allowing a comprehensive assessment and evaluation of refugee needs and the Agency's performance vis-à-vis these needs;

b) An assessment of the services and activities which the Agency undertakes, and the environment in which they are offered, to develop a more detailed understanding of their respective contributions to enhancing human development;

c) Identifying sets of core and non-core services which will give a clearer framework for performance measurement, efficiency and effectiveness reviews and the prioritisation and allocation of scarce budgetary resources;

d) Developing a comprehensive framework of service delivery and quality standards in all areas of the Agency;

e) More efficient service delivery methods through placing greater emphasis on holistic, inter-disciplinary approaches in both planning and implementation, and through building partnerships;

f) Strengthened internal capacity and processes (including an approach to resource allocation based on achieving Human Development (HD) outcomes), and

g) Further increasing the level of consultation and participation in the planning process with the Agency's stakeholders.

26. Those initiatives will be accomplished, in large part, in the context of the Agency's management reform initiative or Organizational Development process[1] which is due to be completed in late 2009. The aim of the OD process is to ensure sustained internal capacity for operations management and delivery and is designed to strengthen UNRWA's capacity to serve Palestine refugees more effectively and efficiently. The OD process contains a number of initiatives grouped around four key levers of change:

a) Human resources management;

b) Leadership and management;

c) Organizational processes; and

d) Programme management.

27. These levers are mutually reinforcing and together they will bring about the systematic change that the OD process aims to achieve. The starting point for improvement of management and decision making capacity will be the refinement of planned outcomes to enhance human development and a detailed statement of the goals, priorities and performance targets. This will provide a guiding framework for all decision making and planning.

28. A Programme Management Cycle (PMC) approach will be introduced to provide for an integrated, comprehensive, strategic and results-based approach to the way the Agency manages its programmes, projects and other interventions. It will:

a) Improve participatory assessments and continuous diagnosis of data;

b) Improve the monitoring of our interventions on a regular and systematic basis;

c) Ensure data collection, data analysis and monitoring and evaluation activities are being fed into programme development and delivery; and

d) Further develop the Agency's information management system.

The PMC will be gradually developed and applied during the period 2007-2009.

[1] The OD initiative is described in the document "*Serving Palestine Refugees More Effectively: Strengthening the Management Capacity of UNRWA*".

UNRWA's ORGANIZATIONAL CHART BY DEPARTMENT

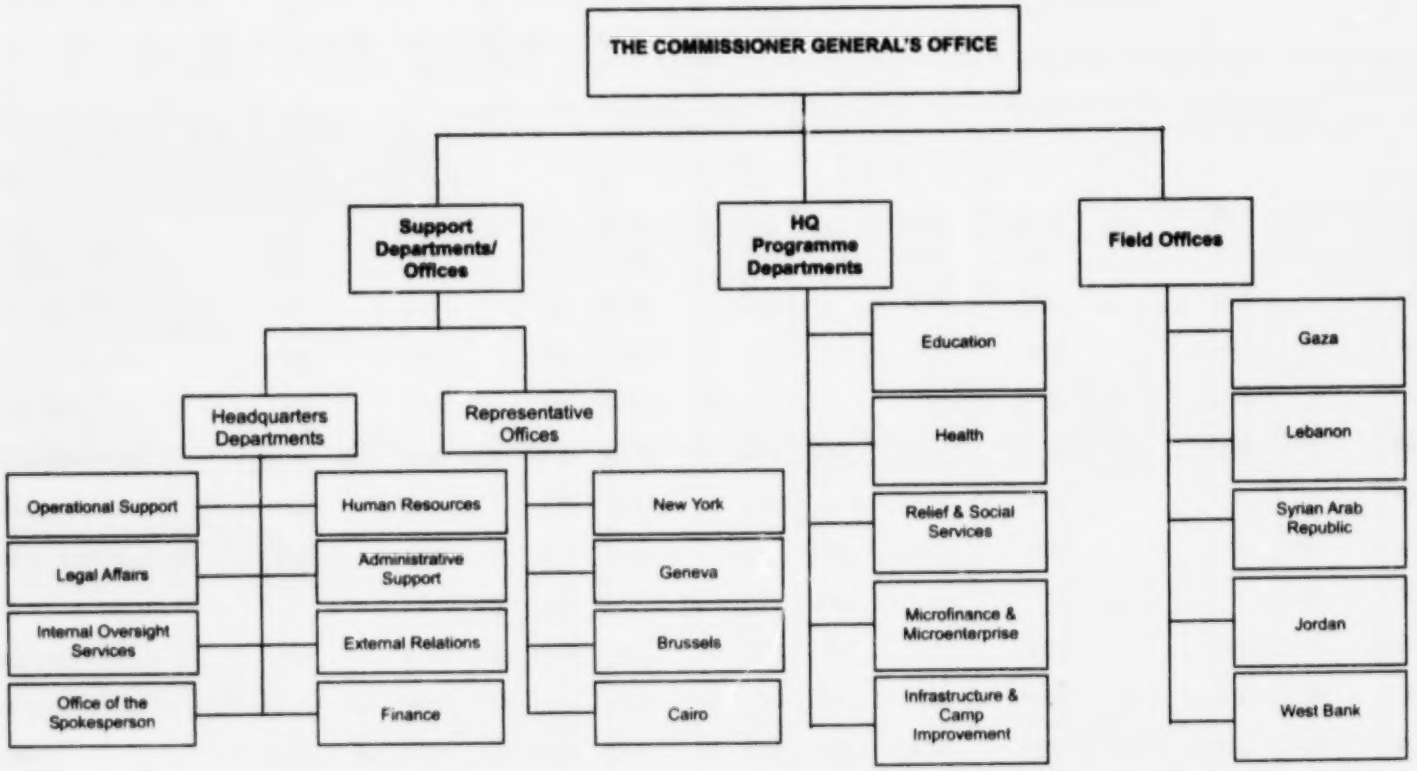


Table 1: Summary of 2008-2009 Total Budget Volume

(in thousands of United States dollars)

PROGRAMME	2008 Fiscal Year					2009 Fiscal Year					2008-2009 Biennium				
	Regular Budget			Project Budget	Total	Regular Budget			Project Budget	Total	Regular Budget			Project Budget	Total
	Cash	In-Kind	Total			Cash	In-Kind	Total			Cash	In-Kind	Total		
Education	281,145	475	281,620	21,874	303,494	283,026	481	283,507	14,719	298,226	564,171	956	565,127	36,593	601,720
Health	103,737	2,366	106,103	4,030	110,133	102,958	2,481	105,439	3,554	108,993	206,695	4,847	211,542	7,584	219,126
Relief & Social Services	53,347	-	53,347	851	54,198	53,527	-	53,527	446	53,973	106,874	-	106,874	1,297	108,171
Microfinance & Microenterprise Programme	-	-	-	12,671	12,671	-	-	-	16,186	16,186	-	-	-	28,857	28,857
Infrastructure & Camp Improvement	10,748	-	10,748	17,375	28,123	10,565	-	10,565	22,696	33,261	21,313	-	21,313	40,071	61,384
Support Services Department	74,322	-	74,322	-	74,322	71,060	-	71,060		71,060	145,382	-	145,382	-	145,382
Total Programme Requirements	**523,299**	**2,841**	**526,140**	**56,801**	**582,941**	**521,136**	**2,962**	**524,098**	**57,601**	**581,699**	**1,044,435**	**5,803**	**1,050,238**	**114,402**	**1,164,640**
Contingency Requirements	1,431	-	1,431	-	1,431	1,427	-	1,427	-	1,427	2,858	-	2,858	-	2,858
Area Staff Separation Benefits	5,078	-	5,078	-	5,078	5,078	-	5,078	-	5,078	10,156	-	10,156	-	10,156
Salary Increase Requirements	12,000	-	12,000	-	12,000	18,000	-	18,000	-	18,000	30,000	-	30,000	-	30,000
Total Other Requirements	18,509	-	18,509	-	18,509	24,505	-	24,505	-	24,505	43,014	-	43,014	-	43,014
Total Resource Requirements	**541,808**	**2,841**	**544,649**	**56,801**	**601,450**	**545,641**	**2,962**	**548,603**	**57,601**	**606,204**	**1,087,449**	**5,803**	**1,093,252**	**114,402**	**1,207,654**

Notes:

1. For presentation purposes and only in this section of the budget, the projects budget has been capped at $114.4 million to reflect expected realistic funding levels. Nonetheless, the Agency's actual project funding requirements are significantly greater and these are included in the detailed Programme Budget narrative.

2. The project budget includes $0.1 million each year funded from the income generated by the Microcredit and Savings Programme (MCSP) and $6.7 million in 2008 and $7.5 million in 2009 funded from Microfinance and Microenterprise Department (MMD).

3. The above figures do not include the budget for Organizational Development of $10.5 million in 2008 and $10.6 million in 2009.

TABLE 2: REGULAR BUDGET REQUIREMENTS BY FIELD

(Cash and In-Kind, in thousands of United States dollars)

Field	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	Resource Growth	
				Amount	%
Gaza Strip	225,824	297,098	327,611	30,513	10.27
Lebanon	106,055	114,814	140,993	26,179	22.80
Syrian Arab Republic	57,527	63,864	91,855	27,991	43.83
Jordan	166,238	179,262	229,175	49,913	27.84
West Bank	120,032	145,517	177,325	31,808	21.86
Headquarters Amman	21,204	28,513	51,304	22,791	79.93
Headquarters Gaza	26,629	28,365	31,975	3,610	12.73
Sub-total	**723,509**	**857,433**	**1,050,238**	**192,805**	**22.49**
Contingency Requirements*	-	-	2,858	2,858	-
Area Staff Separation Benefits*	-	-	10,156	10,156	-
Salary Increase Requirements*	-	-	30,000	30,000	-
Sub-total	**-**	**-**	**43,014**	**43,014**	**-**
Total Resources Requirements	**723,509**	**857,433**	**1,093,252**	**235,819**	**27.50**

* Comparative figures for 2004-2005 and 2006-2007 are not included as they are already allocated in the respective fields' expenditure above.

FIGURE 1: REGULAR BUDGET REQUIREMENTS BY FIELD

(Cash and In-Kind, in thousands of United States dollars)

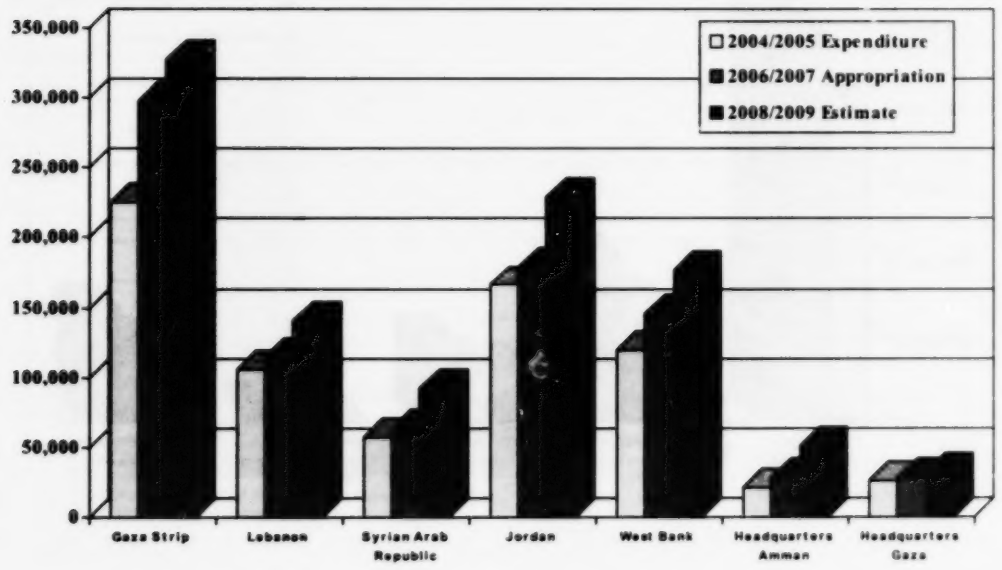


Table 3 - REGULAR BUDGET REQUIREMENTS BY PROGRAMME

(In thousands of United States dollars)

Programme	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	Resource Growth	
				Amount	%
Education Programme	417,482	500,438	565,127	64,689	12.93
Health Programme	130,788	160,209	211,542	51,333	32.04
Relief & Social Services Programme	67,639	77,596	106,874	29,278	37.73
Infrastructure & Camp Improvement Department	7,124	9,143	21,313	12,170	133.11
Support Services Departments	100,476	110,047	145,382	35,335	32.11
Sub-total	**723,509**	**857,433**	**1,050,238**	**192,805**	**22.49**
Contingency Requirements*	-	-	2,858	2,858	-
Area Staff Separation Benefits*	-	-	10,156	10,156	-
Salary Increase Requirements*	-	-	30,000	30,000	-
Sub-total	-	-	**43,014**	**43,014**	-
Total Resources Requirements	**723,509**	**857,433**	**1,093,252**	**235,819**	**27.50**

* Comparative figures for 2004-2005 and 2006-2007 are not included as they are already allocated in the respective programmes' expenditure above.

FIGURE 2: REGULAR BUDGET REQUIREMENTS BY PROGRAMME

(Cash and In-Kind, in thousands of United States dollars)

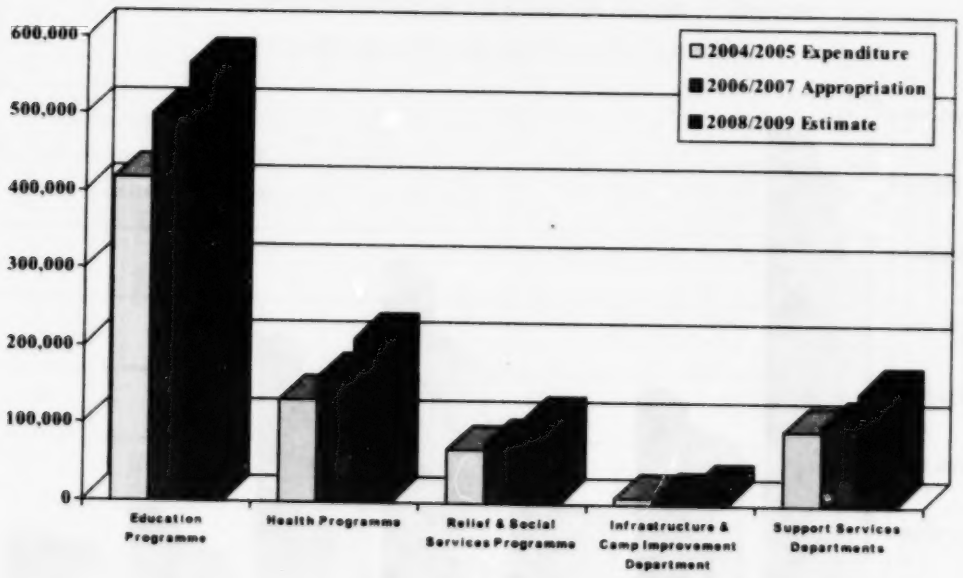


Table 4- REGULAR BUDGET REQUIREMENTS BY CATEGORY OF EXPENDITURE

(In thousands of United States dollars)

Category	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	Resource Growth	
				Amount	%
International Staff Costs	37,143	42,570	52,225	9,655	22.68
Area Staff Costs	495,768	598,655	703,088	104,433	17.44
Services	40,383	46,159	66,354	20,195	43.75
Supplies	79,872	91,907	110,357	18,450	20.07
Equipment & Construction	26,123	33,506	45,488	11,982	35.76
Premises	14,089	15,491	26,236	10,745	69.36
Grants & Subsidies	30,131	29,145	42,900	13,755	47.20
Unallocated Items	-	-	3,590	3,590	-
Sub-total	**723,509**	**857,433**	**1,050,238**	**192,805**	**22.49**
Contingency Requirements*	-	-	2,858	2,858	-
Area Staff Separation Benefits*	-	-	10,156	10,156	-
Salary Increase Requirements*	-	-	30,000	30,000	-
Sub-total	**-**	**-**	**43,014**	**43,014**	**-**
Total Resources Requirements	**723,509**	**857,433**	**1,093,252**	**235,819**	**27.50**

* Comparative figures for 2004-2005 and 2006-2007 are not included as they are already allocated in the respective categories of expenditure above.

FIGURE 3: REGULAR BUDGET BY CATEGORY OF EXPENDITURE

(Cash and In-Kind, in thousands of United States dollars)

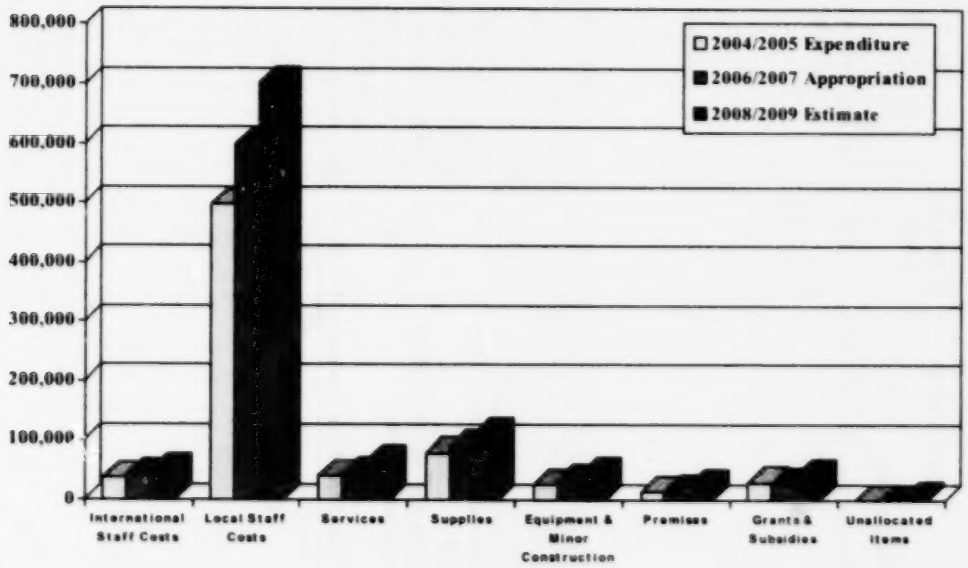


Table 5: Regular Budget 2008-2009 (Major increases over 2006-2007 Appropriations*)

The overall growth of the 2008-2009 biennium budget over the 2006-2007 budget is $235.8 million. The following table summarizes these increases with the associated explanations:

Cost category	Increases $m	Explanation
Staff Costs		
Additional Area Staff posts	66.6	This includes an additional 3,257 posts. Education Programme • Implementation of host authority curricula; • Improved student : teacher ratios; • Adapting Vocational Training centre curricula to labour market needs; and • Increased training in human rights, tolerance and conflict resolution. Health Programme • Improved doctor : patient ratios in clinics; • Improved utilization and access to medical services; and • Improved camp environmental conditions for refugees. Relief & Social Services Programme • Improved Social worker : client ratios; and • Improved Special Hardship Case support.
Annual Increment & other costs	54.5	This is a provision for an average annual increment for area staff of 2.5 per cent and the increase in other costs including separation benefits costs.
Area Staff salary Increase	30.0	This is a provision for biennium salary increases to be assessed through salary surveys.
International Staff	9.7	This is in respect of 20 additional posts which will be filled only if UN or donor funding is received. The additional staff will enhance the Agency's management and evaluation capabilities.
Total Staff Cost Increase	**160.8**	In accordance with the goals of the OD initiative.

* Appropriations are comprised of 2006 actual expenditure plus the 2007 budget allotment.

Non-Staff Costs	$m	Explanation
Services	20.2	The primary increase is in hospital services due to increases in hospital prices and expected number of patients. Other factors contributing to the increase include training, travel and communication costs which have increased across all fields to enhance management capabilities and include human rights, conflict resolution and Convention on Rights of the Child training.
Supplies	18.4	The increase is due mainly to medical supplies and basic commodities which will be substituted for some food items as well as an increase in number of beneficiaries and general price increases.
Equipment and Construction	11.9	The increase is primarily due to construction requirements to meet the needs for additional facilities which will be addressed by the recently formed Infrastructure and Camp Improvement Programme. Further increases are for replacement of obsolete computers and transport as well as the renewal of software licenses.
Premises	10.7	Maintenance has been under-budgeted for several years due to funding constraints which has resulted in a marked deterioration in schools, clinics, offices and distribution centres. The maintenance budget aims to bring facilities up to minimum standards essential for optimum use and safety of facilities.
Subsidies	13.8	The increased in subsidies is to provide a more "needs based approach" to Special Hardship Cases by meeting actual requirements of the most vulnerable Additional funding is also required to address unmet health needs of refugees regarding access to hospitals.
Total Non-Staff Cost Increases	**75.0**	
Total Increase	**235.8**	

STAFFING TABLE

29. Through Resolution 3331 B (XXIX) of 17 December 1974, the General Assembly decided that the expenses relating to the emoluments of international staff in the service of UNRWA, which would otherwise have been charged to voluntary contributions, should be provided for under the UN's regular budget with effect from 1 January 1975 for the duration of the Agency's mandate.

Table 6: International Staffing Requirements - 2008-2009

Post Grade	UN Regular Budget	Other Sources
A) Professional & Above		
USG	1	-
ASG	1	-
D2	2	2
D1	12	4
P5	19	6
P4	45	22
P3	22	20
P2/P1	2	9
Sub-total (A)	**104**	**63**
B) General Services	11	1
Sub-total (B)	**11**	**1**
Total (A+B)	**115**[1]	**64**

[1] Includes two posts (1-P4 and 1-P3 out of the additional twenty posts required) that will be funded by UN/NY as of 1 January 2008.

30. The 64 posts funded from other sources in Table 6 above include 32 posts funded by project funds, nine Junior Professional Officers (JPOs) funded by governments, two posts funded by UNESCO, two posts funded by WHO, one post funded by the MMD and 18 posts (three D-1, three P-5, eleven P-4 and one P-3) included in respect of the Agency's total requirements for potential funding from the UN regular budget or through earmarked donor funding.

31. The Agency has requested adjustments to the Staffing Table, establishing 20 new posts necessary for the Agency to achieve the goals described in the OD plan. In this regard, the OD process recognizes, at its core, that the Agency's goals cannot be achieved without an injection of more internationally qualified personnel. These posts will account, in part, for gaps created in a streamlining exercise undertaken in 1993 when the Agency's headquarters moved from Vienna to Gaza on the assumption, created by the Oslo Accords between the Government of Israel and the Palestine Liberation Organization that a solution to the Palestine refugee problem was in sight.

32. The 20 posts are essential to meet the Agency's need to:

a) Establish and implement a Programme Management Cycle;
b) Strengthen the Commissioner-General's office to address the streamlining referred to above; and
c) Strengthen the Agency's relationships with host and donor governments.

An injection of international staff in these areas is essential if the Agency is to modernize and strengthen its management in order to achieve the aims of enhancing the Agency's ability to address the needs of the Palestine refugees.

33. As indicated above, two of the twenty posts will be funded by UN/NY as of 1 January, 2008. During the biennium, the other 18 posts are, or will be, funded using extra-budgetary resources contributed under the OD process. All twenty posts are included in the 2008-2009 budget in order to reflect the Agency's total staffing requirements for the biennium.

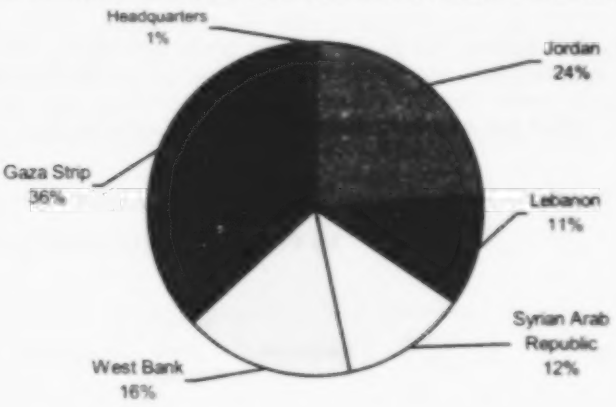
Table 7: Estimated Number of Area Staff at 31 December 2009

by Programme and Field

Programme	Gaza Strip	Lebanon	Syrian Arab Republic	Jordan	West Bank	Head-quarters	Total
Education	8,238	2,292	2,788	5,666	3,253	83	22,320
Health	1,619	599	588	1,306	887	14	5,013
Relief & Social Services	323	203	197	265	234	19	1,241
Microfinance & Microenterprise	124	20	82	52	125	0	403
Infrastructure & Camp Improvement	315	65	30	32	80	33	555
Support Services	851	335	271	277	662	315	2,711
Grand Total	**11,470**	**3,514**	**3,956**	**7,598**	**5,241**	**464**	**32,243**

Figure 4: Estimated Number of Area Staff at 31 December 2009, by Field

Field	
Gaza Strip	11,470
Lebanon	3,514
Syrian Arab Republic	3,956
Jordan	7,598
West Bank	5,241
Headquarters	464
Total	**32,243**



PROJECT BUDGET

34. Project funding has accounted for a considerable share of the Agency's income and expenditure in recent years. Projects form an integral part of programme activities and are the means by which a majority of the Agency's capital costs (for example, school construction and upgrading of health centres), as well as the costs related to environmental health improvements and shelter rehabilitation are funded.

35. The Project Budget has been prepared according to the Agency's generic priorities for project funding listed below. These generic priorities have equal standing; they have been numbered for reference purposes only.

a) Expansion, upgrading and major rehabilitation of primary education and health infrastructure;

b) Maximizing the economic potential and employment opportunities;

c) Development of camp infrastructure;

d) Enhancing capacity building including system management;

e) Achieving parity with the host authority standards;

f) Relieving hardship and providing essential support to vulnerable groups; and

g) Upgrading of installations including warehouses.

36. Figure 5 shows breakdown of the project budget by programme and Figure 6 shows how this budget is split among the fields. The project budget amounts to $56.8 million for the year 2008 and $57.6 million for the year 2009. These amounts represent 9.5 per cent of total budget volume for the biennium. With the exception of MMD recurrent costs of $14.2 million and MCSP recurrent costs of $ 0.2 million which are funded by the operations of the programme itself, the project budget represents unfunded activities.

Figure 5: Project Budget by Programme
(In thousands of United States dollars)

Programme	
Education	36,593
Health	7,584
Relief and Social Services	1,297
Microfinance and Microenterprise	28,857
Infrastructure and Camp Improvement	40,071
Total	**114,402**

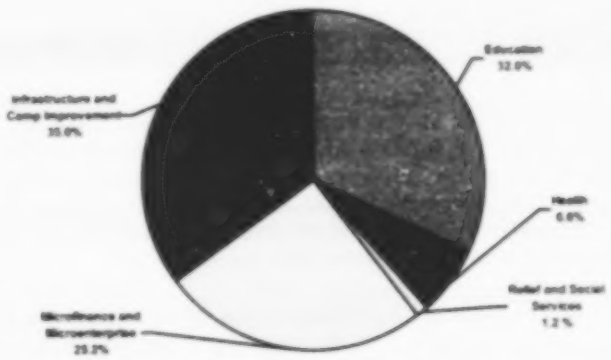
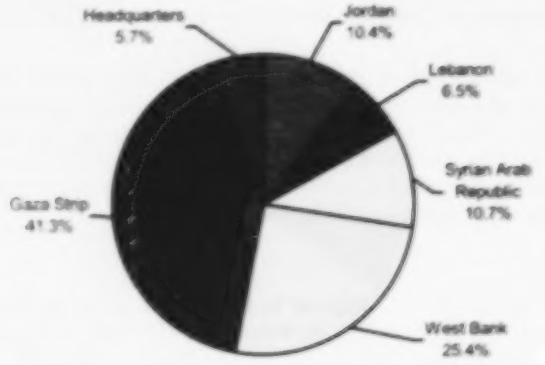


Figure 6: Project Budget by Field
(In thousands of United States dollars)

Field	
Gaza Strip	47,294
Lebanon	7,401
Syrian Arab Republic	12,201
Jordan	11,906
West Bank	29,107
Headquarters	6,493
Total	**114,402**



FINANCIAL SITUATION FOR 2006

37. The financial results for the fiscal year 2006 (see Table 8) clearly illustrate the funding shortfalls experienced by the Agency in its efforts to implement its mandate of the provision of basic services to Palestine refugees. The funding gap for the regular budget amounted to $89.0 million and the projects budget experienced a shortfall of $74.6 million. The funding gap for the regular budget would have been $104.8 million if the exchange rate gains and the interest income were excluded from the total income.

Table 8: Funding Status of the Agency's Budget - 2006
(In thousands of United States dollars)

	Regular Budget	Projects	Emergency Appeal
Budget[1]	**474,184**	**150,466**	**173,139**
Contributions Income[2]	**369,340**	**75,904**	**149,932**
Funding Gap	**(104,844)**	**(74,562)**	**(23,207)**
Partially funded by other income[3]	**15,851**		
Net funding gap for the year	**(88,993)**		

1 The budget represents the original budget less Programme Support Costs (PSC) income in 2006 of $14.4 million.
2 Includes $18.8 million not received for the regular budget by 31 December 2006.
3 Other income consists of $8.833 million of exchange rate gains and $7.018 million interest income.

38. The 2006 Emergency Appeal was under-funded by $23.2 million.

39. The overall Agency-wide impact of under-funding in 2006 meant that UNRWA was unable to implement crucial activities totalling $202.6 million.

FINANCIAL OUTLOOK FOR 2007

40. Current projections of income and expenditure for 2007, shown in Table 9 below, indicate a funding gap for the regular budget of $100.2 million when comparing the net budgeted expenditure of $495.7 million with total expected income of $395.5 million (based on indicative estimates from donors and estimated interest income). Therefore, unless further contributions are forthcoming, the Agency will not be in a position to fully implement its budgeted activities in 2007.

Table 9: Income & Expenditure Forecast - 2007
(In thousands of United States dollars)

	Regular Budget	Projects	Emergency Appeal
Budget	**495,673**[1]	**135,855**	**246,160**
Projected Income	**395,519**[2]	**12,528**	**106,537**
Funding Gap	**(100,154)**	**(123,327)**	**(139,623)**

1 Original Budget of $505.7 million less Programme Support Costs (PSC) income in 2007 of $10 million.
2 See Table 11 for the 2007 income forecast by donor

EXPECTED FUNDING GAP

41. Current projections of income and expenditure for 2008, shown in Table 10 below, indicate a funding gap for the Regular Budget of $148.7 million when comparing the budgeted expenditure of $544.6 million with total expected income of $395.9 million (based on indicative estimates from donors as well and forecast PSC recoveries).

Table 10 – The expected funding gap - 2008
(In thousands of United States dollars)

	Regular Budget
Total Budget	**544.6**
Projected Income	**395.9**[1]
Funding Gap	**(148.7)**

1 See Table 11 for the 2008 income forecast by donor

42. Activities and sub-programmes that will be implemented in the event that the Agency receives funding in excess of that estimated during the year have been presented to the Agency's Advisory Commission. These activities and sub-programmes have been ring-fenced until such time as adequate funding is received to implement them. Should additional funds be received, they will be allotted to activities or sub-programmes by reference to the Agency's Programme Strategy.

43. Income projections, by donor for 2007 and 2008 appear in Table 11 below.

Table 11: Income Projections for the General Fund - 2007 and 2008
(in thousands of United States dollars)

Donor	Projected Income 2007	Forecast Income 2008	Donor	Projected Income 2007	Forecast Income 2008
European Commission	99,244	93,300	**Sub-total b/f**	**365,136**	**354,170**
United States	82,711	79,650	Miscellaneous	2,282	4,000
United Kingdom	29,470	35,260	Australia	3,559	3,230
Sweden	33,535	33,500	Germany	3,129	2,970
Norway	23,923	23,900	Japan	2,700	2,700
United Nations	20,117	20,600	Luxembourg	2,517	2,500
Netherlands	15,858	15,770	Kuwait	1,500	1,500
Canada	12,931	13,000	Belgium	1,301	1,300
Denmark	10,920	11,670	Austria	1,014	1,000
Spain	8,333	8,300	Middle East	860	1,000
France	7,134	7,150	New Zealand	687	680
Switzerland	6,557	6,960	Saudi Arabia	600	600
Italy	5,376	6,500	Other Income	234	
Finland	4,098	4,000	PSC recoveries	10,000	10,000
Ireland	4,929	4,900			
Sub-total c/f	**365,136**	**354,170**	**Grand Total**	**395,519**	**395,940**

SOURCES OF FUNDING

44. UNRWA does not have a system of assessed contributions. With the exception of a relatively small number of international posts provided by the UN regular budget, UNRWA's budget depends overwhelmingly upon voluntary contributions from governments, inter-governmental and non-governmental bodies and non-monetary assistance of host authorities. Consequently, resource mobilization is of critical importance to UNRWA. It has become increasingly so in recent years during which the Agency's core income has stagnated. The Agency's donor base is narrowly constructed with over 92 per cent of its regular budget in 2006 being provided by the top 15 donors. Furthermore, a comparison of the top ten donors' performance between 2001 and 2007 shows that only five have increased their contributions during the period. Other donors have maintained or decreased their levels of contributions. This has happened at a time when both expectations and demands upon the Agency have risen to meet the needs of a growing refugee population, maintain standards commensurate with those operational in host authorities as well as coping with the challenge of service delivery within a highly volatile region.

45. To ensure the most effective use of the limited resources available for fundraising, UNRWA has recently developed a Resource Mobilisation Strategy to direct efforts and resources over the next two biennia. The objectives of the Strategy are to:

a) Increase contributions from donors to the General Fund to meet the targets set by the Regular Budget of $544.6 million in 2008 and $548.6 million in 2009;

b) Make the financing of UNRWA's activities more predictable by pursuing multi-year funding agreements;

c) Broaden the donor base in the governmental and non-governmental sectors, particularly in the Gulf region;

d) Seek alternative sources of human resources to fill gaps in the Agency's international staffing; and

e) Enhance the Department of External Relations coordination of fundraising activity with the active involvement of a wide range of Agency actors.

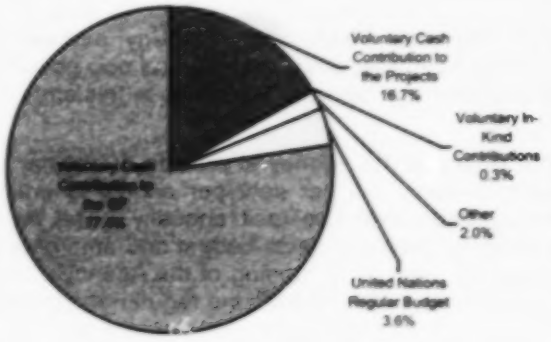
46. The Resource Mobilization Strategy addresses actions to be directed towards increased funding from both governmental and non-governmental sources and considers the mobilization of in-house and external resources to this end.

47. The ability of the Agency to provide its regular services to a clientele population that grows at approximately 2.5 per cent per annum is entirely dependent on sufficient voluntary funding being made available to it annually. The Agency is also dependent on additional funding earmarked for its projects budget and emergency operations. Figures 7 and 8 below show the expected sources of funding of the Agency's total budget volume for the years 2008 and 2009 respectively, including both the regular and projects budgets.

FIGURE 7: FUNDING OF TOTAL BUDGET VOLUME - 2008

(Cash and In-Kind, in thousands of United States dollars)

Voluntary Cash Contribution to the GF	512,104
Voluntary Cash Contribution to the Projects[1]	50,000
Voluntary In-Kind Contributions	1,892
United Nations Regular Budget[2]	24,424
Other	13,030
Total	**601,450**


Voluntary Cash Contribution to the Projects 16.7%
Voluntary In-Kind Contributions 0.3%
Other 2.0%
United Nations Regular Budget 3.6%

[1] Excludes MMD and MCSP recurrent costs of $6.8 million which are funded by the operations of the programme itself.

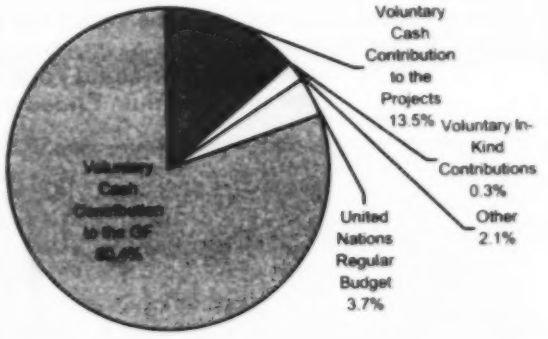
[2] Includes $3.75 million for 20 international posts of which only two will be covered from the UN regular budget.

The total budget does not include the Organization Development budget of $10.5 million.

FIGURE 8: FUNDING OF TOTAL BUDGET VOLUME - 2009

(Cash and In-Kind, in thousands of United States dollars)

Voluntary Cash Contribution to the GF	515,309
Voluntary Cash Contribution to the Projects[1]	50,000
Voluntary In-Kind Contributions	2,002
United Nations Regular Budget[2]	25,137
Other	13,756
Total	**606,204**


Voluntary Cash Contribution to the Projects 13.5%
Voluntary In-Kind Contributions 0.3%
Other 2.1%
United Nations Regular Budget 3.7%

[1] Excluding MMD and MCSP recurrent costs of $7.6 million which are funded by the operations of the programme itself.

[2] Includes $3.75 million for 20 international posts of which only two will be covered from the UN regular budget.

The total budget does not include the Organization Development budget of $10.5 million

48. Voluntary contributions will be requested to cover about 93.7 per cent of total budget volume for 2008-2009, of which 85.1 per cent are cash contributions to the General Fund, 8.3 per cent of cash receipts to fund projects, and about 0.3 per cent constitute in-kind contributions.

49. The funding of 115 international posts from the United Nations regular budget accounts for about four per cent annually of total budget volume. The remaining two per cent of other income is derived from the following sources:

a) Interest income and miscellaneous income in the range of $5 million per annum;

b) Income of $6.8 million in 2008 and $7.6 million in 2009 for MMD and MCSP from credit activities covers the programmes' recurrent costs making them self-funding; and

c) Funding of six staff posts (two international and four area posts) by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and four posts (two international and two area posts) by the World Health Organization (WHO) as part of their technical assistance to the Education and Health programmes, respectively with $1.2 million per annum (Millennium Development Goal 8).

IMPLEMENTATION OF RECOMMENDATIONS OF THE UNITED NATIONS BOARD OF AUDITORS (UNBOA)

50. Table 12 illustrates the current status of the UNBOA recommendations made to UNRWA in their report for the year ended 31 December 2005. The Agency is committed to implementing the recommendations as part of its overall strategy to improve processes and enhance transparency within the organization.

51. Of the five recommendations not implemented, two are addressed under the OD initiative, one is at the proposal stage and implementation has been initiated for the remaining two.

Table 12: Implementation Status of the UNBOA Recommendations for the Biennium Ended 31 December 2005

Department	Number of Recommendations	Withdrawn by UNBOA	Implementation Status		
			Implemented	Under Implementation	Not Implemented
Finance	3		3	-	-
Department of Administrative Support:					
Information Systems Division	11		5	3	3
Procurement & Logistics Division	4		3	1	-
Department of Operational Support	5		-	5	-
Department of Human Resources	7		1	4	2
Microfinance & Micro-enterprise Department	2		2	-	-
Department of External Relations	1		-	1	-
Provident Fund Secretariat	1	1	-	-	-
TOTAL	**34**	**1**	**14**	**14**	**5**

Chapter II
Education programme

GOAL

52. The Agency's education programme seeks to impart Palestine refugees with the requisite knowledge base and skill-set that will develop their human potential and enable them to become self-reliant, productive members of their communities. The Agency's Department of Education aims to fulfil this mission through its four main programmes: school development; technical and vocational education and training; institute of education (teacher training); and education planning and management. Education services are currently provided through 666 UNRWA schools and eight vocational training centres staffed by more than 18,500 teachers and attended by more than 485,000 pupils.

OBJECTIVES

53. To provide and improve access to quality education and learning opportunities, in line with host authorities' education systems, for Palestine refugee children and youth at the basic level. The Agency also provides secondary level education in Lebanon field.

54. To provide, improve and optimize vocational and technical education for young Palestine refugees to enhance their opportunities for employment and economic independence.

55. To provide, improve and optimize pre-service teacher education to increase the pool of qualified teachers for prospective recruitment as UNRWA teaching staff.

56. To enhance capacity building for technical and administrative education staff at all levels in line with School as a Focus for Development (SFD) including Quality Assurance Framework (QAF) and Management Development (MD).

57. To ensure equity and equality of access to quality learning for children with special educational needs (SEN).

58. To foster and promote amongst teaching staff and students the awareness and understanding of human rights, conflict resolution and tolerance.

59. To contribute to the process of establishing system-wide programmes addressing gender mainstreaming, child disabilities, psychosocial health and life-skills-based education within systems-wide strategies.

STRUCTURE

60. The structure of the Education Programme is as follows:

a) **School Development Division**
Elementary and Preparatory Education
Secondary Education (Lebanon)

b) Technical and Vocational Education and Training Division
Placement and Career Guidance
Vocational and Technical Education

c) Institute of Education
Pre-Service
In-Service

d) Education Planning and Management Division
Programme Management

FINANCIAL RESOURCES

Table 13: Education Programme Resource Requirements by Activity
(Cash and In-kind, in thousands of United States dollars)

Programme	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	% Variance
EDUCATION PROGRAMME				
School Development				
Elementary and Preparatory Education	364,845	428,897	473,938	10.5
Secondary Education (Lebanon)	3,822	6,380	10,626	66.6
Sub-total	**368,667**	**435,277**	**484,564**	**11.3**
Technical and Vocational Education and Training				
Placement and Career Guidance	163	167	217	29.9
Vocational and Technical Education	31,581	43,440	39,533	(9.0)
Sub-total	**31,744**	**43,607**	**39,750**	**(8.8)**
Institute of Education				
Pre-Service	2,180	2,867	3,676	28.2
In-Service	1,679	1,590	2,359	48.4
Sub-total	**3,859**	**4,457**	**6,035**	**35.4**
Education Planning and Management				
Programme Management	13,212	17,097	34,778	103.4
Sub-total	**13,212**	**17,097**	**34,778**	**103.4**
Total Regular Budget	**417,482**	**500,438**	**565,127**	**12.9**
Project Budget	**7,590**	**67,115**	**77,049**	**14.8**
Emergency Appeal Budget	**8,255**	-	-	-
Grand Total	**433,327**	**567,553**	**642,176**	**13.1**

Chapter III
Health programme

GOAL

61. Under the close technical supervision of the World Health Organization, the Department of Health is responsible for programme implementation with special emphasis on maternal and child health and disease prevention and control through an integrated primary health care approach. Health services are provided through 127 UNRWA health clinics serving approximately 9 million patient visits per year.

OBJECTIVES

62. To maintain the sustainable investment achieved in women's and children's health and to further reduce infant, child and maternal mortality by providing comprehensive primary health care.

63. To improve refugee access to quality of medical services by increasing the focus on good management and results-based best practices to ensure relevance and cost effectiveness of the services.

64. To prevent breakdowns in service delivery during crisis by applying Standard Operating Procedures (SOPs) and timely follow-up of Assessment Reports.

65. To improve coverage to non risk pregnancies and cancer patients according to standardized protocols.

66. To decrease the burden of death and disability caused by communicable diseases, such as tuberculosis, HIV/AIDS and the emerging avian flu, and non-communicable diseases, particularly diabetes mellitus and cardiovascular diseases by implementing primary prevention and secondary prevention.

67. To improve environmental health conditions in refugee camps by ensuring safe-water supply, solid waste management and vector control.

68. To develop, direct, monitor and evaluate the Agency's health care programme, enhance its institutional capacity and streamline its policies and strategies consistent with the progress achieved by public health sector services of the host authorities guided by the health information system and operational research.

STRUCTURE

69. The Health Programme comprises the following five sub-programmes and 12 areas of work, while the Health Information system is integrated into all programmes.

a) **Health Protection and Promotion**
   - Maternal Health and Child Health Services
   - School Health
   - Supplementary Feeding
   - Mental Health
   - Disability Screening and Rehabilitation

b) **Medical Care Services**
- Outpatient Medical Care
- Laboratory Services
- Oral Health Services
- Hospital Services
- Emergency Preparedness

c) **Disease Prevention and Control**
- Communicable Diseases
- Non-Communicable Diseases

d) **Environmental Health**
- Open Sewerage and Drainage Channels
- Solid Waste Collection and Disposal
- Water Quality Control

e) **Programme Management**

FINANCIAL RESOURCES

Table 14: Health Programme Resource Requirements by Activity
(Cash and In-kind, in thousands of United States dollars)

Programme	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	% Variance
HEALTH PROGRAMME				
Health Protection & Promotion				
Maternal Health and Child Health Services	5 314	6 206	7 937	27.9
School Health	1 061	1 158	1 181	2.0
Supplementary Feeding	5 267	10 258	8 971	(12.5)
Mental Health	2 294	4 830	6 901	42.9
Disability Screening and Rehabilitation	1 568	1 744	2 165	24.1
Health Protection & Promotion Total	**15 504**	**24 196**	**27 155**	**12.2**
Medical Care Services				
Outpatient Medical Care	45 923	55 343	70 555	27.5
Laboratory Services	4 386	5 199	7 694	48.0
Oral Health Services	4 132	5 503	7 411	34.7
Hospital Services	22 708	25 635	37 746	47.2
Medical Care Services Total	**77 149**	**91 680**	**123 406**	**34.6**
Disease Prevention & Control				
Communicable Diseases	-	-	2 440	-
Non-Communicable Diseases	9 882	11 678	13 726	17.5
Disease Prevention & Control Total	**9 882**	**11 678**	**16 166**	**38.4**
Environmental Health				
Open Sewerage and Drainage Channels	226	846	437	(48.3)
Solid Waste Collection and Disposal	19 863	23 218	27 654	19.1
Water Quality Control	1 516	1 577	2 359	49.6
Environmental Health Total	**21 605**	**25 641**	**30 450**	**18.8**
Programme Management	**6 648**	**7 014**	**14 365**	**104.8**
Total Regular Budget	**130 788**	**160 209**	**211 542**	**32.0**
Project Budget	**20 921**	**51 675**	**15 786**	**(69.5)**
Emergency Appeal Budget	**12 189**	**13 661**	**-**	**-**
Grand Total	**163 898**	**225 545**	**227 328**	**0.8**

Chapter IV
Relief and social services programme

GOAL

70. The Agency provides eligible refugees a range of services including food support, shelter rehabilitation, and selective cash assistance for special hardship cases. Currently approximately 250,000 persons are benefiting from the cyclical assistance under the special hardship case programme. In additional community support services promote self- reliance among less advantaged members of the refugee community, in particular women, youth and the physically and mentally disabled. During emergencies, assistance will be extended to affected communities as a temporary measure as donor support allows.

OBJECTIVES

71. To alleviate poverty among the most vulnerable within the Palestine refugee community, by introducing internationally recognized eligibility criteria, constructing field and family-specific absolute and abject poverty lines, and re-shaping and directing safety net assistance, as a matter of top priority, to those living in abject poverty (i.e. food insecure). This poverty-based approach will provide a more effective mechanism (via proxy means test formulas) by which to identify those living in the lowest deciles of poverty and will link short-term relief to longer term human development needs.

72. To ease the immediate plight of the most destitute eligible registered persons, including family members of registered refugee women married to non-refugee husbands (MNRs), through basic subsistence support, with the gradual closing of the gap in safety net provisions between those of the host authorities and UNRWA.

73. To promote and facilitate community-based activities which creates social, cultural, economic or educational opportunities and provides services for women, the elderly, children, youth and persons with disabilities.

74. To promote the institutional capacity of community-based organizations (CBOs) through training and technical assistance, to enhance refugee empowerment and participation in the formulation and implementation of social services for vulnerable groups in their communities.

75. To improve the quality and effectiveness of the Microcredit Community Support Programme (MCSP) by focusing most assets on indirect credit provision through community-based lending (via CBOs).

76. To improve the efficiency and effectiveness of service delivery to Special Hardship Case (SHC) families through reduction in social worker case loads, the operationalization of the generalist approach to social work, the introduction of social work specialists/clinical supervisors, systematic in-service training and the improvement of overall working conditions.

77. To identify SHC families who have lost their homes or who live in sub-standard housing as a result of chronic poverty or other circumstances and to ensure their shelter needs are addressed through UNRWA's Department of Infrastructure and Camp Improvement.

78. To assist families, on a case-by-case basis, with small-scale emergency needs during family-specific economic or humanitarian crises.

79. To mobilize large-scale emergency disaster responses (particularly food aid and cash assistance) as needed, in cooperation with other Agency programmes and local/international efforts.

80. To computerize the records of approximately 4.8 million registered persons on new web-based information technology and create an integrated refugee database utilizing available refugee profile input from Agency programmes.

STRUCTURE

81. The structure of the Relief and Social Services Programme is as follows:

a) **Relief Services**
   Food and Cash Support
   Selective Cash Assistance

b) **Eligibility and Registration Unit**

c) **Relief and Social Services Information System Unit**

d) **Social Services**
   Community Development and Microcredit Community Support Programme
   Women's Programme
   Disability Programme
   Children and Youth Programme

e) **Programme Management**

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Table 15: Relief and Social Services Programme Resource Requirements by Activity
(Cash and In-kind, in thousands of United States dollars)

Programme	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	% Variance
RELIEF & SOCIAL SERVICES PROGRAMME				
Relief Services	**55,910**	**64,685**	**78,505**	**21.4**
Eligibility and Registration	**2,503**	**2,676**	**3,980**	**48.7**
Relief and Social Services Information System	**-**	**-**	**295**	**-**
Social Services				
Community Development and Microcredit	2,300	2,023	4,734	134.0
Community Support Programme				
Women's Programme	1,074	1,251	1,854	48.2
Disability Programme	2,203	2,599	3,357	29.2
Children and Youth Programme	189	181	649	258.6
Sub-total	**5,766**	**6,054**	**10,594**	**75.0**
Programme Management	**3,460**	**4,181**	**13,590**	**225.0**
Total Regular Budget	**67,639**	**77,596**	**106,874**	**37.7**
Project Budget	**6,712**	**9,674**	**2,931**	**(69.7)**
Emergency Appeal Budget	**100,159**	**180,246**	**-**	**-**
Grand Total	**174,510**	**267,516**	**109,805**	**(59.0)**

Chapter V
Microfinance and microenterprise programme

GOAL

82. The Microfinance and Microenterprise Department (MMD) promotes economic development and alleviates poverty. This is achieved through the provision of credit for enterprise, household consumption and housing needs that will improve the quality of life of households, small business owners and microentrepreneurs, sustain jobs, decrease unemployment, reduce poverty, empower women and provide income-generating opportunities for Palestine refugees and other proximate poor and marginal groups. The programme operates through a network of branch offices in the West bank, the Gaza Strip, Jordan and the Syrian Arab Republic. These offices are self-sustaining through the generation of income required to meet branch operating costs.

OBJECTIVES

83. To provide enterprise, consumer and housing credit on a scale that is large enough to have significant and measurable impact on the lives of the poorest.

84. To provide operationally self-sufficient and sustainable credit in a cost-effective manner through targeting financial services in poorer urban areas with a high concentration of commercial, service and industrial businesses. Areas will be selected primarily on the basis of having highly a localised density of Palestine refugees.

85. To develop and expand the programme through adhering to international standards of outreach and efficiency so that the programme can be benchmarked and assessed against other practitioner institutions. The programme strives to achieve the best practices of the emerging microfinance industry through its participation in local and regional microfinance networks by adopting the standards and practices established for the industry by such institutions as the Consultative Group to Assist the Poorest, the United States Agency for International Development, the Microfinance Network, Sanabel, Calmeadow Foundation and Accion International.

86. To meet the emerging standards for business training and business development services (BDS), where all the direct costs of training are met from participation fees and only the overhead and administrative costs are subsidised from donor contributions.

87. To open up the prospect of savings to poor refugees other marginal groups that do not have access to the banking sector because they are unable to meet the minimum deposit requirements.

STRUCTURE

88. The programme structure of the Microfinance and Microenterprise Department is as follows:

a) **Microenterprise Credit (MEC)**
b) **Solidarity Group Lending (SGL)**
c) **Small-Scale Enterprise (SSE)**

d) **Consumer Lending (CLP)**
e) **Housing Loan (HLP)**
f) **Safe-savings Deposits (SSD)**
g) **Small and Microenterprise Training (SMET) (Gaza Strip only)**
h) **Programme Management**

FINANCIAL RESOURCES

Table 16: Microfinance and Microenterprise Department Resource Requirements by Activity
(In thousands of United States dollars)

	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	% Variance
Total Recurrent Projects	**5,511**	**8,926**	**14,237**	**59.5**
Total Unfunded Projects	**88**	**22,755**	**29,548**	**29.9**

Chapter VI
Infrastructure and camp improvement programme

GOAL

89. The Infrastructure and Camp Improvement Programme was established in 2006 to improve the living conditions of Palestine Refugees by efficiently providing adequate physical and social infrastructure.

OBJECTIVES

90. To improve the quality of life for camp residents living in substandard habitat by means of integrated social and physical action which promotes environmentally and socially sustainable neighbourhoods in accordance with strategic camp development plans.

91. To promote an appealing and healthy urban environment for Palestine refugees through the provision of well maintained water, wastewater and electricity infrastructure along with universally accessible road and footpath networks.

92. To ensure that all UNRWA facilities are efficiently planned, designed, constructed and maintained in order to meet the physical infrastructure needs of both Palestine refugees and the Agency.

STRUCTURE

93. The structure of Infrastructure and Camp Improvement Programme is as follows:

a) **Design, Implementation Monitoring and Evaluation**
b) **Environmental Infrastructure**
c) **Housing and Camp Improvement**
d) **Programme Management**

FINANCIAL RESOURCES

Table 17: Infrastructure and Camp Improvement Programme Resource Requirements by Activity
(Cash and In-Kind, in thousands of United States dollars)

Programme	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	% Variance
INFRASTRUCTURE AND CAMP IMPROVEMENT PROGRAMME				
Design, Implementation Monitoring and Evaluation	6,871	8,386	10,597	26.4
Environmental Infrastrcture	-	-	793	-
Housing and Camp Improvement	253	521	8,687	-
Programme Management	-	236	1,036	339.0
Total Regular Budget	7,124	9,143	21,313	133.1
Project Budget	-	-	81,339	-
Grand Total	7,124	9,143	102,652	1,022.7

Chapter VII
Support departments

GOAL

94. The support departments maintain the functioning of the Agency through sound legal support, cost-effective and efficient management, policy analysis and formulation, effective fund-raising and outreach to external interlocutors. Support departments provide the appropriate supervision and support required by the Agency and its Programmes.

OBJECTIVES

95. To ensure that UNRWA is a fair and responsible employer.

96. To ensure overall programme strategy coheres with the Agency mandate as well as the needs and desires of the beneficiary population.

97. To implement a three-year Agency-wide plan for organizational reform.

98. To effectively manage the Agency's financial resources, ensuring accountability and transparency.

99. To provide policy advice to the Commissioner-General.

100. To provide legal advice and support, particularly concerning matters of international law.

101. To maintain productive relationships with donors, governments and other stakeholders, and increase financial support to the Agency.

102. To promote the Agency's work internationally and locally.

103. To ensure all staff understand and support the Agency's mandate and mission.

104. To strengthen cooperation with other UN agencies and other international actors.

105. To establish a quality assurance function aimed at enhancing customer satisfaction through effective communication, reliability, timeliness and cost effectiveness of the operational and support services in Information and Communications Technology (ICT), procurement and administration.

106. To continue to implement further reforms and integration in the areas of procurement and logistics and ICT, and admin services to ensure that the provision of services achieves full effectiveness and best value for money.

107. To reinforce the Organizational Development process through supporting the field operations in streamlining and integrating their support functions.

108. To provide general administrative services which are integrated, streamlined and implemented Agency-wide.

STRUCTURE

109. The structure of the Support Departments is as follows:

a) Commissioner-General's Office
b) Operational Support
c) Human Resources

d) Administrative Support
Administrative Services
Procurement
Information Systems

e) Financial Services
f) Legal Affairs
g) Internal Oversight Services
h) External Relations (including the Advisory Commission (Ad Com) Secretariat and Representative Offices)
i) Office of the Spokesperson

FINANCIAL RESOURCES

Table 18: Support Departments Resource Requirements by Activity
(Cash and In-kind, in thousands of United States dollars)

Programme	2004-2005 Expenditure	2006-2007 Appropriation	2008-2009 Estimate	% Variance
SUPPORT DEPARTMENT				
Commissioner-General's Office	3,785	3,860	4,965	28.6
Operational Support	1,799	2,727	4,697	72.2
Human Resources	14,419	18,715	25,410	35.8
Administrative Services	22,724	28,310	31,911	12.7
Procurement	30,871	23,373	35,370	51.3
Information Systems	5,530	6,343	13,450	112.0
Financial Services	9,566	12,368	11,038	(10.8)
Legal Affairs	3,367	4,069	4,641	14.1
Internal Oversight Services	1,928	2,384	2,972	24.7
External Relations, AdCom Secretariat and Representative Offices	4,500	5,514	7,757	40.7
Office of the Spokesperson	1,987	2,384	3,171	33.0
Total Programme	**100,476**	**110,047**	**145,382**	**32.1**
Contingency Requirements	-	-	2,858	-
Area Staff Separation Benefits	-	-	10,156	-
Salary Increase Reserve	-	-	30,000	-
Sub-total	**-**	**-**	**43,014**	**-**
Total Regular Budget	**100,476**	**110,047**	**188,396**	**71.2**
Project Budget	**8,498**	**753**	**-**	**-**
Emergency Appeal Budget	**64,242**	**147,738**	**-**	**-**
Grand Total	**173,216**	**258,538**	**188,396**	**(27.1)**

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